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## DELTA REPORT

10-Q

ZD - ZIFF DAVIS, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 947

█ CHANGES 403

█ DELETIONS 243

█ ADDITIONS 301

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended **June 30, 2023** **September 30, 2023**

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



**ZIFF DAVIS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**47-1053457**

(I.R.S. Employer  
Identification No.)

**114 5th Avenue New York, New York 10011 (212) 503-3500**  
(Address and telephone number of principal executive offices)

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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	ZD	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required 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," "smaller 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. o

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

There were **46,482,817** **45,984,753** shares outstanding of the Registrant's common stock as of **July 31, 2023** **November 3, 2023**.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**QUARTERLY REPORT**  
**QUARTER ENDED JUNE SEPTEMBER 30, 2023**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited, in thousands except share and per share data)**

June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
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ASSETS		ASSETS		ASSETS		ASSETS	
Cash and cash equivalents	\$ 679,090	\$ 652,793		Cash and cash equivalents	\$ 660,624	\$ 652,793	
Short-term investments	Short-term investments	35,816	58,421	Short-term investments	29,797	58,421	
Accounts receivable, net of allowances of \$7,511 and \$6,868, respectively		285,909	304,739				
Accounts receivable, net of allowances of \$7,388 and \$6,868, respectively				Accounts receivable, net of allowances of \$7,388 and \$6,868, respectively	291,485	304,739	
Prepaid expenses and other current assets	Prepaid expenses and other current assets	74,044	68,319	Prepaid expenses and other current assets	81,757	68,319	
Total current assets	Total current assets	1,074,859	1,084,272	Total current assets	1,063,663	1,084,272	
Long-term investments	Long-term investments	114,356	127,871	Long-term investments	140,167	127,871	
Property and equipment, net of accumulated depreciation of \$296,223 and \$255,586, respectively		192,380	178,184				
Property and equipment, net of accumulated depreciation of \$308,368 and \$255,586, respectively				Property and equipment, net of accumulated depreciation of \$308,368 and \$255,586, respectively	186,165	178,184	
Intangible assets, net	Intangible assets, net	401,639	462,815	Intangible assets, net	367,943	462,815	
Goodwill	Goodwill	1,599,896	1,591,474	Goodwill	1,539,663	1,591,474	
Deferred income taxes	Deferred income taxes	8,561	8,523	Deferred income taxes	8,573	8,523	
Other assets	Other assets	77,598	80,131	Other assets	77,053	80,131	
<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>	<b>\$ 3,469,289</b>	<b>\$ 3,533,270</b>	<b>TOTAL ASSETS</b>	<b>\$ 3,383,227</b>	<b>\$ 3,533,270</b>	
LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY	
Accounts payable	Accounts payable	\$ 127,145	\$ 120,829	Accounts payable	\$ 127,818	\$ 120,829	
Accrued employee related costs	Accrued employee related costs	33,659	42,178	Accrued employee related costs	37,011	42,178	
Other accrued liabilities	Other accrued liabilities	52,702	39,539	Other accrued liabilities	47,219	39,539	
Income taxes payable, current	Income taxes payable, current	11,052	19,712	Income taxes payable, current	4,985	19,712	
Deferred revenue, current	Deferred revenue, current	188,725	187,904	Deferred revenue, current	182,741	187,904	
Other current liabilities	Other current liabilities	22,760	22,286	Other current liabilities	19,724	22,286	
Total current liabilities	Total current liabilities	436,043	432,448	Total current liabilities	419,498	432,448	
Long-term debt	Long-term debt	1,000,178	999,053	Long-term debt	1,000,743	999,053	
Deferred revenue, noncurrent	Deferred revenue, noncurrent	8,303	9,103	Deferred revenue, noncurrent	8,000	9,103	
Income taxes payable, noncurrent	Income taxes payable, noncurrent	8,486	11,675	Income taxes payable, noncurrent	8,486	11,675	
Deferred income taxes	Deferred income taxes	58,198	79,007	Deferred income taxes	51,098	79,007	
Other long-term liabilities	Other long-term liabilities	95,399	109,373	Other long-term liabilities	91,264	109,373	
<b>TOTAL LIABILITIES</b>	<b>TOTAL LIABILITIES</b>	<b>1,606,607</b>	<b>1,640,659</b>	<b>TOTAL LIABILITIES</b>	<b>1,579,089</b>	<b>1,640,659</b>	
Commitments and contingencies (Note 8)	Commitments and contingencies (Note 8)			Commitments and contingencies (Note 8)			
Preferred stock, \$0.01 par value. Authorized 1,000,000 and none issued	Preferred stock, \$0.01 par value. Authorized 1,000,000 and none issued	—	—	Preferred stock, \$0.01 par value. Authorized 1,000,000 and none issued	—	—	

Preferred stock - Series A, \$0.01 par value. Authorized 6,000; total issued and outstanding zero	Preferred stock - Series A, \$0.01 par value. Authorized 6,000; total issued and outstanding zero	—	—	Preferred stock - Series A, \$0.01 par value. Authorized 6,000; total issued and outstanding zero	—	—
Preferred stock - Series B, \$0.01 par value. Authorized 20,000; total issued and outstanding zero	Preferred stock - Series B, \$0.01 par value. Authorized 20,000; total issued and outstanding zero	—	—	Preferred stock - Series B, \$0.01 par value. Authorized 20,000; total issued and outstanding zero	—	—
Common stock, \$0.01 par value. Authorized 95,000,000; total issued and outstanding 46,402,143 and 47,269,446 shares at June 30, 2023 and December 31, 2022, respectively.	Common stock, \$0.01 par value. Authorized 95,000,000; total issued and outstanding 45,984,858 and 47,269,446 shares at September 30, 2023 and December 31, 2022, respectively	464	473	Common stock, \$0.01 par value. Authorized 95,000,000; total issued and outstanding 45,984,858 and 47,269,446 shares at September 30, 2023 and December 31, 2022, respectively	460	473
Additional paid-in capital	Additional paid-in capital	448,920	439,681	Additional paid-in capital	462,812	439,681
Treasury stock, at cost (zero and zero shares, at June 30, 2023 and December 31, 2022, respectively)	Treasury stock, at cost (zero and zero shares, at September 30, 2023 and December 31, 2022, respectively)	—	—	Treasury stock, at cost (zero and zero shares, at September 30, 2023 and December 31, 2022, respectively)	—	—
Retained earnings	Retained earnings	1,492,879	1,537,830	Retained earnings	1,426,979	1,537,830
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(79,581)	(85,373)	Accumulated other comprehensive loss	(86,113)	(85,373)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,862,682</b>	<b>1,892,611</b>	<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,804,138</b>	<b>1,892,611</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,469,289</b>	<b>\$ 3,533,270</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,383,227</b>	<b>\$ 3,533,270</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Uncaudited, in thousands except share and per share data)

		Three months ended June 30,				Three months ended September 30,		Nine months ended September 30,	
		2023		2022		2023		2023	
		Total revenues	Operating costs and expenses:	Cost of revenues	Sales and marketing	Total revenues	Operating costs and expenses:	Cost of revenues	Sales and marketing
Total revenues	Total revenues	\$ 326,016	\$ 337,356	\$ 633,158	\$ 652,424	\$ 340,985	\$ 341,873	\$ 974,143	\$ 994,297
Operating costs and expenses:	Operating costs and expenses:								
Cost of revenues	Cost of revenues	47,421	46,004	93,151	92,104	55,526	52,603	148,677	144,707
Sales and marketing	Sales and marketing	119,934	123,777	235,854	241,539	125,062	119,474	360,916	361,013

Research, development, and engineering	Research, development, and engineering	17,817	19,721	35,731	38,148	Research, development, and engineering	17,597	17,735	53,328	55,883
General and administrative	General and administrative	101,949	101,967	203,212	204,184	General and administrative	99,269	95,658	302,481	299,842
Goodwill impairment on business						Goodwill impairment on business	56,850	27,369	56,850	27,369
Total operating costs and expenses	Total operating costs and expenses	287,121	291,469	567,948	575,975	Total operating costs and expenses	354,304	312,839	922,252	888,814
Income from operations		38,895	45,887	65,210	76,449	(Loss) income from operations	(13,319)	29,034	51,891	105,483
Interest expense, net	Interest expense, net	(10,483)	(9,569)	(14,963)	(19,859)	Interest expense, net	(2,817)	(8,560)	(17,780)	(28,419)
Gain on debt extinguishment, net	Gain on debt extinguishment, net	—	2,613	—	1,393	Gain on debt extinguishment, net	—	10,112	—	11,505
Unrealized loss on short-term investments held at the reporting date, net		(3,196)	(27,317)	(23,541)	(18,366)	Unrealized loss on short-term investments held at the reporting date, net	(6,019)	4,201	(29,560)	(14,165)
(Loss) gain on investments, net		—	(48,243)	357	(48,243)	Gain (loss) on investments, net	—	471	357	(47,772)
Other (loss) income, net	Other (loss) income, net	(1,503)	6,345	(2,411)	8,744	Other (loss) income, net	(3,571)	4,218	(5,982)	12,962
Income (loss) before income taxes and loss from equity method investment, net		23,713	(30,284)	24,652	118	Income (loss) before income taxes and loss from equity method investment, net	(25,726)	39,476	(1,074)	39,594
(Loss) income before income taxes and income (loss) from equity method investment, net						(Loss) income before income taxes and income (loss) from equity method investment, net				
Income tax expense	Income tax expense	(6,461)	(10,051)	(5,845)	(15,131)	Income tax expense	(5,335)	(18,100)	(11,180)	(33,231)
Loss from equity method investment, net		(573)	(6,101)	(9,755)	(6,886)	Loss from equity method investment, net				
Net income (loss)		\$ 16,679	\$ (46,436)	\$ 9,052	\$ (21,899)	Net income (loss)				
Income (loss) from equity method investment, net						Income (loss) from equity method investment, net	90	(3,191)	(9,665)	(10,077)
Net (loss) income						Net (loss) income	\$ (30,971)	\$ 18,185	\$ (21,919)	\$ (3,714)
Net income (loss) per common share:						Net (loss) income per common share:				
Net (loss) income per common share:						Net (loss) income per common share:				
Basic	Basic	\$ 0.36	\$ (0.99)	\$ 0.19	\$ (0.47)	Basic	\$ (0.67)	\$ 0.39	\$ (0.47)	\$ (0.08)
Diluted	Diluted	\$ 0.36	\$ (0.99)	\$ 0.19	\$ (0.47)	Diluted	\$ (0.67)	\$ 0.39	\$ (0.47)	\$ (0.08)

Weighted average shares outstanding:	Weighted average shares outstanding:	Weighted average shares outstanding:								
Basic	Basic	46,798,800	46,978,709	46,892,504	47,016,351	Basic	46,062,097	46,871,897	46,612,660	46,967,671
Diluted	Diluted	46,798,800	46,978,709	46,892,504	47,016,351	Diluted	46,062,097	46,871,897	46,612,660	46,967,671

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME LOSS**  
(Uaudited, in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 16,679	\$ (46,436)	\$ 9,052	\$ (21,899)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	2,468	(24,265)	6,181	(30,530)
Consensus separation adjustment	—	—	—	4,056
Change in fair value on available-for-sale investments, net of tax benefit of \$239 and \$130 for the three and six months ended June 30, 2023, respectively.	(713)	—	(389)	—
Other comprehensive income (loss), net of tax	1,755	(24,265)	5,792	(26,474)
Comprehensive (loss) income	\$ 18,434	\$ (70,701)	\$ 14,844	\$ (48,373)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (30,971)	\$ 18,185	\$ (21,919)	\$ (3,714)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(6,841)	(24,753)	(660)	(55,283)
Consensus separation adjustment	—	—	—	4,056
Change in fair value on available-for-sale investments, net of tax expense of \$93 and benefit of \$37 for the three and nine months ended September 30, 2023, respectively	309	(169)	(80)	(169)
Other comprehensive loss, net of tax	(6,532)	(24,922)	(740)	(51,396)
Comprehensive loss	\$ (37,503)	\$ (6,737)	\$ (22,659)	\$ (55,110)

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Uaudited, in thousands)

	Six months ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 9,052	\$ (21,899)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	111,479	118,943
Non-cash operating lease costs	5,924	5,913

Share-based compensation	17,619	14,420
Provision for credit losses on accounts receivable	1,819	(1,376)
Deferred income taxes, net	(18,330)	(10,266)
Gain on extinguishment of debt	—	(1,393)
Loss from equity method investments	9,755	6,886
Unrealized loss on short-term investments held at the reporting date, net	23,541	18,366
(Gain) loss on investments, net	(357)	48,243
Other	3,834	2,106
Decrease (increase) in:		
Accounts receivable (includes \$0 and \$8,351 with related parties)	20,470	77,168
Prepaid expenses and other current assets	(13,038)	5,804
Other assets	(4,030)	(4,990)
Increase (decrease) in:		
Accounts payable	(1,332)	(36,504)
Deferred revenue	(1,777)	(11,882)
Accrued liabilities and other current liabilities	(9,594)	(17,055)
Net cash provided by operating activities	155,035	192,484
Cash flows from investing activities:		
Purchases of property and equipment	(55,250)	(53,876)
Acquisition of businesses, net of cash received	(9,492)	(92,425)
Investment in available-for-sale securities	—	(15,000)
Proceeds from sale of equity investments	3,174	—
Other	(3,753)	—
Net cash used in investing activities	(65,321)	(161,301)
Cash flows from financing activities:		
Payment of debt	—	(72,853)
Proceeds from term loan	—	89,991
Debt extinguishment costs	—	(756)
Repurchase of common stock	(62,678)	(76,345)
Issuance of common stock under employee stock purchase plan	4,724	5,235
Proceeds from exercise of stock options	—	148
Deferred payments for acquisitions	(6,679)	(7,094)
Other	21	(5)
Net cash used in financing activities	(64,612)	(61,679)
Effect of exchange rate changes on cash and cash equivalents	1,195	(16,056)
Net change in cash and cash equivalents	26,297	(46,552)
Cash and cash equivalents at beginning of period	652,793	694,842
Cash and cash equivalents at end of period	\$ 679,090	\$ 648,290

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities:	\$ (21,919)	\$ (3,714)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net loss	167,333	174,880
Depreciation and amortization	7,248	9,043
Non-cash operating lease costs	24,393	20,806
Share-based compensation	2,296	(1,142)
Provision for credit losses on accounts receivable	(25,658)	(13,552)
Deferred income taxes, net	—	(11,505)
Gain on extinguishment of debt	56,850	27,369
Goodwill impairment on business	—	(2,305)
Changes in fair value of contingent consideration		

Loss from equity method investments	9,665	10,077
Unrealized loss on short-term investments held at the reporting date, net	29,560	14,165
(Gain) loss on investments, net	(357)	47,772
Other	5,113	2,320
Decrease (increase) in:		
Accounts receivable (includes \$0 and \$9,425 with related parties)	11,043	85,121
Prepaid expenses and other current assets	(10,059)	3,177
Other assets	(7,961)	(8,667)
Increase (decrease) in:		
Accounts payable	1,955	(11,445)
Deferred revenue	(6,820)	(25,400)
Accrued liabilities and other current liabilities	(14,839)	(23,781)
Net cash provided by operating activities	227,843	293,219
Cash flows from investing activities:		
Purchases of property and equipment	(82,476)	(80,767)
Acquisition of businesses, net of cash received	(9,492)	(104,094)
Investment in available-for-sale securities	—	(15,000)
Purchases of equity investments	(11,790)	—
Proceeds from sale of equity investments	3,174	—
Other	(4,154)	—
Net cash used in investing activities	(104,738)	(199,861)
Cash flows from financing activities:		
Payment of debt	—	(166,904)
Proceeds from term loan	—	112,286
Debt extinguishment costs	—	(756)
Repurchase of common stock	(107,341)	(76,545)
Issuance of common stock under employee stock purchase plan	4,725	5,235
Proceeds from exercise of stock options	—	148
Deferred payments for acquisitions	(14,141)	(14,734)
Other	(53)	(559)
Net cash used in financing activities	(116,810)	(141,829)
Effect of exchange rate changes on cash and cash equivalents	1,536	(24,454)
Net change in cash and cash equivalents	7,831	(72,925)
Cash and cash equivalents at beginning of period	652,793	694,842
Cash and cash equivalents at end of period	\$ 660,624	\$ 621,917

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Uncaudited, in thousands, except share amounts)

	Three months ended June 30, 2023							Three mo		
	Accumulated									
	Additional			other		Total		Additional		
	Common stock	paid-in	Treasury stock	Retained earnings	comprehensive	Stockholders'	Equity	Common stock	paid-in	Tre
	Shares	Amount	capital	Shares	Amount	earnings	loss	Shares	Amount	Sh
<b>Balance, April 1, 2023</b>	47,286,093	\$ 473	\$ 444,813	—	\$ —	\$ 1,530,665	\$ (81,336)	\$ 1,894,615		
Net income	—	—	—	—	—	16,679	—	—	16,679	

Other comprehensive loss, net of tax expense of \$239	—	—	—	—	—	—	1,755	1,755	—	—	—
<b>Balance, July 1, 2023</b>									<b>Balance, July 1, 2023</b>		
Net loss									Net loss	—	—
Other comprehensive loss, net of tax expense of \$93									Other comprehensive loss, net of tax expense of \$93	—	—
Issuance of restricted stock, net	Issuance of restricted stock, net	9,370	—	(430)	—	—	73	—	Issuance of restricted stock, net	2,041	—
Issuance of shares under employee stock purchase plan		87,098	1	4,724	—	—	—	—	4,725		
Issuance of common stock, net									Issuance of common stock, net	186,102	2
Repurchase of common stock	Repurchase of common stock	—	—	—	980,418	(63,900)	—	—	Repurchase of common stock	—	—
Retirement of common stock	Retirement of common stock	(980,418)	(10)	(9,353)	(980,418)	63,900	(54,537)	—	Retirement of common stock	(605,428)	(6)
Share-based compensation	Share-based compensation	—	—	9,217	—	—	—	—	Share-based compensation	—	—
Other, net	Other, net	—	—	(51)	—	—	(1)	—	Other, net	—	(2)
<b>Balance, June 30, 2023</b>		<b>46,402,143 \$</b>	<b>464 \$</b>	<b>448,920</b>	<b>—</b>	<b>—</b>	<b>\$ 1,492,879</b>	<b>\$ (79,581)</b>	<b>\$ 1,862,682</b>		
<b>Balance, September 30, 2023</b>									<b>Balance, September 30, 2023</b>	<b>45,984,858 \$</b>	<b>460 \$</b>
										<b>462,812</b>	

Three months ended June 30, 2022											
	Accumulated other comprehensive loss										
	Common stock		Additional paid-in capital		Treasury stock		Retained earnings		other comprehensive loss	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity	
<b>Balance, April 1, 2022</b>	46,952,300	\$ 470	\$ 415,653	—	\$ —	\$ —	\$ 1,508,802	\$ (59,431)	\$	1,865,494	
Net loss	—	—	—	—	—	—	(46,436)	—	—	(46,436)	
Other comprehensive loss, net of tax expense of zero	—	—	—	—	—	—	—	(24,265)	—	(24,265)	
Issuance of restricted stock, net	354,407	3	(3)	—	—	—	—	—	—	—	
Issuance of shares under employee stock purchase plan	76,741	1	5,234	—	—	—	—	—	—	5,235	
Repurchase of common stock	—	—	—	182,247	(12,652)	—	—	—	—	(12,652)	
Retirement of common stock	(192,111)	(2)	(2,483)	(182,247)	12,652	—	(11,050)	—	—	(883)	
Share-based compensation	—	—	7,703	—	—	—	—	—	—	7,703	
<b>Balance, June 30, 2022</b>	<b>47,191,337 \$</b>	<b>472 \$</b>	<b>426,104</b>	<b>—</b>	<b>— \$</b>	<b>1,451,316 \$</b>	<b>(83,696) \$</b>	<b>1,794,196</b>			

Three months ended September 30, 2022											
	Accumulated other comprehensive loss										
	Common stock		Additional paid-in capital		Treasury stock		Retained earnings		other comprehensive loss	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity	
<b>Balance, July 1, 2022</b>	47,191,337	\$ 472	\$ 426,104	—	\$ —	\$ —	\$ 1,451,316	\$ (83,696)	\$	1,794,196	
Net income	—	—	—	—	—	—	18,185	—	—	18,185	
Other comprehensive loss, net of tax expense of zero	—	—	—	—	—	—	—	(24,922)	—	(24,922)	

Issuance of restricted stock, net	1,171	—	—	—	—	—	—	—
Retirement of common stock	(2,601)	—	(218)	—	—	18	—	(200)
Share-based compensation	—	—	6,386	—	—	—	—	6,386
<b>Balance, September 30, 2022</b>	<b>47,189,907 \$</b>	<b>472 \$</b>	<b>432,272</b>	<b>— \$</b>	<b>— \$</b>	<b>1,469,519 \$</b>	<b>(108,618) \$</b>	<b>1,793,645</b>

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		Six months ended June 30, 2023							Nine months ended September 30, 2023																						
Description	Type	Common stock			Additional paid-in capital			Treasury stock		Retained earnings		other comprehensive loss		Stockholders' Total Equity		Description	Type	Common stock			Additional paid-in capital			Treasury stock		Retained earnings		other comprehensive loss		Stockholders' Total Equity	
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity	Shares	Amount	Shares	Amount	loss	Equity	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity						
<b>Balance, January 1, 2023</b>	<b>Balance, January 1, 2023</b>	47,269,446	\$ 473	\$ 439,681	—	\$ —	\$ 1,537,830	\$ —	\$ (85,373)	\$ 1,892,611	Balance, January 1, 2023	47,269,446	\$ 473	\$ 439,681	—	—	—	—	—	—	—	—	—	—	—	—	—				
Net income		—	—	—	—	—	—	—	9,052	—	9,052	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Other comprehensive loss, net of tax expense of \$130		—	—	—	—	—	—	—	—	5,792	5,792	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Net loss		—	—	—	—	—	—	—	—	—	—	Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Other comprehensive loss, net of tax benefit of \$37		—	—	—	—	—	—	—	—	5,792	5,792	Other comprehensive loss, net of tax benefit of \$37	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—				
Issuance of restricted stock, net	Issuance of restricted stock, net	26,017	—	(3,766)	—	—	—	534	—	—	(3,232)	Issuance of restricted stock, net	28,058	—	(4,031)	—	—	—	—	—	—	—	—	—	—	—	—				
Issuance of shares under employee stock purchase plan	Issuance of shares under employee stock purchase plan	87,098	1	4,724	—	—	—	—	—	—	4,725	Issuance of shares under employee stock purchase plan	87,098	1	4,724	—	—	—	—	—	—	—	—	—	—	—	—				
Issuance of common stock, net		—	—	—	—	—	—	—	—	—	—	Issuance of common stock, net	186,102	2	13,420	—	—	—	—	—	—	—	—	—	—	—	—				
Repurchase of common stock	Repurchase of common stock	—	—	—	—	980,418	(63,900)	—	—	—	(63,900)	Repurchase of common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	1,5					
Retirement of common stock	Retirement of common stock	(980,418)	(10)	(9,353)	(980,418)	63,900	(54,537)	—	—	—	(1,585,846)	Retirement of common stock	(1,585,846)	(16)	(15,388)	(1,5	—	—	—	—	—	—	—	—	—	—	—				
Share-based compensation	Share-based compensation	—	—	17,619	—	—	—	—	—	17,619	Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	24,393						
Other, net	Other, net	—	—	15	—	—	—	—	—	15	Other, net	—	—	—	—	—	—	—	—	—	—	—	—	—	13						
<b>Balance, June 30, 2023</b>	<b>Balance, September 30, 2023</b>	<b>46,402,143 \$</b>	<b>464 \$</b>	<b>448,920</b>	<b>—</b>	<b>—</b>	<b>\$ 1,492,879</b>	<b>\$ —</b>	<b>(79,581) \$</b>	<b>1,862,682</b>	<b>Balance, September 30, 2023</b>	<b>45,984,858 \$</b>	<b>460 \$</b>	<b>462,812</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>					

		Six months ended June 30, 2022							Nine months ended September 30, 2022																						
Description	Type	Common stock			Additional paid-in capital			Treasury stock		Retained earnings		other comprehensive loss		Stockholders' Total Equity		Description	Type	Common stock			Additional paid-in capital			Treasury stock		Retained earnings		other comprehensive loss		Stockholders' Total Equity	
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity	Shares	Amount	Shares	Amount	Shares	Amount	loss	Equity	Shares	Amount	Shares	Amount	loss	Equity				
<b>Balance, September 30, 2022</b>	<b>Balance, September 30, 2022</b>	<b>47,189,907 \$</b>	<b>472 \$</b>	<b>432,272</b>	<b>— \$</b>	<b>— \$</b>	<b>1,469,519 \$</b>	<b>— \$</b>	<b>(108,618) \$</b>	<b>1,793,645</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>						

		Additional								Stockholders' Equity	Additional						
		Common stock		paid-in capital		Treasury stock		Retained earnings			other	Total	Common stock		paid-in capital	T	
		Shares	Amount	Shares	Amount	Shares	Amount	earnings	loss		Equity	Shares	Amount	capital	Shares	Amount	capital
<b>Balance, January 1, 2022</b>	<b>Balance, January 1, 2022</b>	47,440,137	\$ 474	\$ 509,122	\$ —	\$ —	\$ 1,515,358	\$ (57,222)	\$ 1,967,732	<b>Balance, January 1, 2022</b>	47,440,137	\$ 474	\$ 509,122	\$ —			
Reclassification of the equity component of 1.75%	Reclassification of the equity component of 1.75%									Reclassification of the equity component of 1.75%							
Convertible Notes to liability upon adoption of ASU 2020-06	Convertible Notes to liability upon adoption of ASU 2020-06	—	—	(88,137)	—	—	23,436	—	(64,701)	Convertible Notes to liability upon adoption of ASU 2020-06	—	—	(88,137)				
Net loss	Net loss	—	—	—	—	—	(21,899)	—	(21,899)	Net loss	—	—	—				
Other comprehensive loss, net of tax expense of zero	Other comprehensive loss, net of tax expense of zero	—	—	—	—	—	—	(30,530)	(30,530)	Other comprehensive loss, net of tax expense of zero	—	—	—				
Issuance of restricted stock, net	Issuance of restricted stock, net	455,792	4	(4)	—	—	—	—	—	Issuance of restricted stock, net	456,963	4	(4)				
Issuance of shares under employee stock purchase plan	Issuance of shares under employee stock purchase plan	76,741	1	5,234	—	—	—	—	5,235	Issuance of shares under employee stock purchase plan	76,741	1	5,234				
Repurchase of common stock	Repurchase of common stock	—	—	—	736,536	(71,337)	—	—	(71,337)	Repurchase of common stock	—	—	—	7			
Retirement of common stock	Retirement of common stock	(786,772)	(7)	(14,663)	(736,536)	71,337	(61,675)	—	(5,008)	Retirement of common stock	(789,373)	(7)	(14,881)	(7)			
Share-based compensation	Share-based compensation	—	—	14,420	—	—	—	—	14,420	Share-based compensation	—	—	20,806				
Exercise of stock options	Exercise of stock options	5,439	—	148	—	—	—	—	148	Exercise of stock options	5,439	—	148				
Other, net	Other, net	—	—	(16)	—	—	(3,904)	4,056	136	Other, net	—	—	(16)				
<b>Balance, June 30, 2022</b>	<b>Balance, June 30, 2022</b>	<b>47,191,337</b>	<b>\$ 472</b>	<b>\$ 426,104</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,451,316</b>	<b>\$ (83,696)</b>	<b>\$ 1,794,196</b>	<b>Balance, September 30, 2022</b>	<b>47,189,907</b>	<b>\$ 472</b>	<b>\$ 432,272</b>	<b>\$ —</b>			
<b>Balance, September 30, 2022</b>	<b>Balance, September 30, 2022</b>																

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation and Overview**

The accompanying Condensed Consolidated Financial Statements of Ziff Davis, Inc. and its subsidiaries ("Ziff Davis", the "Company", "our", "us", or "we"), whether directly or indirectly wholly-owned, were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and all adjustments considered necessary for a fair presentation have been included. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying interim Condensed Consolidated Financial Statements have been prepared in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission ("SEC"). The preparation of these Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual

results could differ from those estimates. All normal recurring adjustments necessary for a fair presentation of these interim Condensed Consolidated Financial Statements were made.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission ("SEC") on March 1, 2023 and other filings with the SEC.

The results of operations for this interim period are not necessarily indicative of the operating results for the full year or for any future period.

#### **Description of Business**

Ziff Davis, Inc. is a vertically focused digital media and internet company whose portfolio includes leading brands in technology, shopping, gaming and entertainment, connectivity, health, cybersecurity, and martech. The Company's Digital Media business specializes in the technology, shopping, gaming and entertainment, connectivity, and healthcare markets, offering content, tools and services to consumers and businesses. The Company's Cybersecurity and Martech business provides cloud-based subscription services to consumers and businesses including cybersecurity, privacy, and marketing technology.

#### **Impairment or Disposal of Long-Lived Assets**

The Company assesses whether events or changes in circumstances have occurred that potentially indicate the carrying amount of definite-lived assets may not be recoverable. During the three months ended **June 30, 2023** **September 30, 2023** and 2022, and the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the Company recorded an impairment of approximately **\$0.2** **\$0.7** million, **\$0.2** million, **\$2.0** **\$2.7** million, and **\$0.2** **\$0.4** million, respectively, related to certain operating lease right-of-use assets and other definite-lived intangibles. The Company regularly evaluates its office space requirements in light of more of its workforce working from home as part of a permanent "remote" or "partial remote" work model. The impairment is presented in general and administrative expense on the Condensed Consolidated Statement of Operations.

#### **Recent Accounting Pronouncements**

In March 2020, the FASB Financial Accounting Standards Board ("FASB") issued **ASU Accounting Standard Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting**. This update provides for optional financial reporting alternatives to reduce cost and complexities associated with accounting for contracts, hedging relationships, and other transactions affected by reference rate reform. This update applies only to contracts, hedging relationships, and other transactions that reference London Interbank Offer Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The accommodations were available for all entities through December 31, 2022, with early adoption permitted. This update was later amended by ASU 2022-06.

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This update defers the expiration date of **ASC Accounting Standards Codification ("ASC") Topic 848** from December 31, 2022 to December 31, 2024. We are currently evaluating the effect the adoption of this update will have on our condensed consolidated financial statements and related disclosures.

#### **Reclassifications**

Certain prior year reported amounts have been reclassified to conform with **the** 2023 presentation.

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#### **ZIFF DAVIS, INC. AND SUBSIDIARIES** **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

## **2. Revenues**

### **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 **is earned** on websites that are owned and operated by us 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 is 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 primarily recognized over time. Revenues related to the provision of access to historical data for certain services are recorded at the time of delivery.

We also generate Digital Media subscription revenues through the license of certain assets to clients. Assets are licensed for clients' use in their own promotional materials or otherwise and 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. In instances when technology assets are licensed to our clients, revenues from the license of these assets are recognized over the term of the access period.

The Digital Media business also generates revenue from other sources which include marketing and production services. Such other revenues are generally recognized over the period in which the products or services are delivered.

We also generate 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 contract has been approved and we are committed to perform the respective obligations and (ii) we 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. We are 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.

#### Cybersecurity and Martech

The Company's Cybersecurity and Martech revenues substantially consist of subscription revenues which include subscription and usage-based fees, a significant portion of which are paid in advance. The Company defers the portions of monthly, quarterly, semi-annual, and annual fees collected in advance of the satisfaction of performance obligations and recognizes them in the period earned.

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#### ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Along with its numerous proprietary Cybersecurity and Martech solutions, the Company also generates subscription revenues by reselling various third-party solutions, primarily through its email security line 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.

Revenues from external customers classified by revenue source are as follows (in thousands).

	Digital Media	Three months ended June 30,				Three months ended September 30,				Nine months ended September 30,			
		2023		2022		2023		2022		2023		2022	
		Digital Media	Advertising	Digital Media	Advertising	Digital Media	Advertising	Digital Media	Advertising	Digital Media	Advertising	Digital Media	Advertising
Advertising	Advertising	\$ 175,083	\$ 189,198	\$ 331,165	\$ 359,265					\$ 183,008	\$ 186,921	\$ 514,173	\$ 546,186
Subscription	Subscription	68,161	58,901	137,309	114,477					71,858	64,780	209,167	179,257
Other	Other	9,626	10,601	18,607	19,785					13,085	12,195	31,692	31,980
<b>Total Digital Media revenues</b>	<b>Total Digital Media revenues</b>	\$ 252,870	\$ 258,700	\$ 487,081	\$ 493,527					\$ 267,951	\$ 263,896	\$ 755,032	\$ 757,423
<b>Cybersecurity and Martech</b>	<b>Cybersecurity and Martech</b>												
Subscription	Subscription	\$ 73,196	\$ 78,910	\$ 146,212	\$ 159,404					\$ 73,051	\$ 78,192	\$ 219,263	\$ 237,596
<b>Total Cybersecurity and Martech revenues</b>	<b>Total Cybersecurity and Martech revenues</b>	\$ 73,196	\$ 78,910	\$ 146,212	\$ 159,404					\$ 73,051	\$ 78,192	\$ 219,263	\$ 237,596
Elimination of inter-segment revenues	Elimination of inter-segment revenues	(50)	(254)	(135)	(507)					(17)	(215)	(152)	(722)
<b>Total Revenues</b>	<b>Total Revenues</b>	\$ 326,016	\$ 337,356	\$ 633,158	\$ 652,424					\$ 340,985	\$ 341,873	\$ 974,143	\$ 994,297
<b>Timing of revenue recognition</b>	<b>Timing of revenue recognition</b>												
Point in time	Point in time	\$ 11,661	\$ 9,202	\$ 23,182	\$ 18,185					\$ 14,336	\$ 14,417	\$ 37,518	\$ 32,602
Over time	Over time	314,355	328,154	609,976	634,239					326,649	327,456	936,625	961,695
<b>Total</b>	<b>Total</b>	\$ 326,016	\$ 337,356	\$ 633,158	\$ 652,424					\$ 340,985	\$ 341,873	\$ 974,143	\$ 994,297

The Company has recorded \$30.3 million \$27.8 million and \$49.8 million \$32.2 million of revenue for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$95.4 million \$140.9 million and \$122.7 million \$154.9 million of revenue for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, which was previously included in the deferred revenue balance as of the beginning of each respective year.

#### Transaction Price Allocation to Future Performance Obligations

As of June 30, 2023 September 30, 2023, the aggregate amount of transaction price that is allocated to future performance obligations was approximately \$15.6 million \$32.5 million and is expected to be recognized as follows: 60% 13% by December 31, 2023, 38% by 84% between January 1, 2024 and December 31, 2025, and 2% 3% thereafter. The amount disclosed does not include revenues related to performance obligations that are part of a contract contracts with original expected duration durations of twelve months or less or portions of the contract contracts that remain subject to cancellations.

#### 3. 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.

##### 2023 Acquisitions

The Company completed two immaterial Digital Media acquisitions during the six nine months ended June 30, 2023 September 30, 2023, paying the purchase price in cash in each transaction.

The Condensed Consolidated Statement of Operations since the date of each acquisition and the Condensed Consolidated Balance Sheets as of June 30, 2023 September 30, 2023, reflect the results of operations of the 2023 acquisitions. The initial accounting for the 2023 acquisitions is incomplete due to timing of available information and is subject to change. The Company has recorded provisional amounts which may be based upon past acquisitions with similar attributes for certain intangible assets (including trade names and customer relationships), preliminary acquisition date working capital, and related tax items.

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#### ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Goodwill recognized associated with these acquisitions during the six nine months ended June 30, 2023 September 30, 2023 was \$6.6 million \$6.3 million, all of which is expected to be deductible for income tax purposes. Approximately \$7.2 million of definite-lived intangibles were recorded in connection with the acquisitions during the six nine months ended June 30, 2023 September 30, 2023.

##### 2022 Acquisitions

The Company completed the following acquisitions during the six nine months ended June 30, 2022 September 30, 2022, paying the purchase price in cash in each transaction: (a) a purchase of 100% of equity interests of Lifecycle Marketing Group Limited, acquired on January 21, 2022, a United Kingdom-based portfolio of pregnancy and parenting brands, including Emma's Diary and Health Professional Academy, reported within our Digital Media segment; (b) a purchase of 100% of equity interests of FitNow, Inc, acquired on June 2, 2022, a Massachusetts-based provider of weight loss products and support, reported within our Digital Media segment; and (c) two four other immaterial Digital Media acquisitions. During the six nine months ended June 30, 2023 September 30, 2023, the purchase price accounting was finalized for these acquisitions.

The Condensed Consolidated Statement of Operations since the date of each acquisition reflects the results of operations of all 2022 acquisitions. For the six nine months ended June 30, 2022 September 30, 2022, these acquisitions contributed \$7.4 million \$19.6 million to the Company's revenues. Net income contributed by these acquisitions was not separately identifiable due to the Company's integration activities and is impracticable to provide. Total consideration for these transactions was \$107.1 million \$121.7 million, net of cash acquired and assumed liabilities.

The following table summarizes the allocation of the purchase consideration for all 2022 acquisitions as of June 30, 2022 September 30, 2022 (in thousands):

Assets and Liabilities	Valuation
Accounts receivable	\$ 6,703 7,433
Prepaid expenses and other current assets	897 4,915
Property and equipment	370 369
Operating lease right-of-use assets, noncurrent	546
Trade names	11,902 12,838
Customer relationships	22,170 20,540
Other intangibles	16,830 18,165
Goodwill	81,725 93,827
Other long-term assets	11
Accounts payable and accrued expenses	(3,383) (4,656)
Deferred revenue	(19,274) (21,332)
Deferred tax liability	(10,485) (10,436)
Other long-term liabilities	(326) (516)
Total	\$ 107,140 121,704

The fair value of the assets acquired includes accounts receivable of \$6.7 \$7.4 million, of which none is expected to be uncollectible. The Company did not acquire any other classes of receivables as a result of its acquisitions.

Goodwill recognized associated with these acquisitions during the **six** nine months ended **June 30, 2022** **September 30, 2022** was **\$81.7 million** **\$93.8 million**, of which **\$1.2 million** **\$1.2 million** is expected to be deductible for income tax purposes.

Unaudited Pro Forma Financial Information for All 2022 Acquisitions

The following unaudited pro forma 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 the Company and the acquired businesses been combined companies during the periods presented. These pro forma results are estimates and exclude any savings or synergies that would have resulted from these business acquisitions had they occurred on January 1, 2022. This unaudited pro forma supplemental information includes incremental intangible asset amortization and other charges as a result of the acquisitions, net of the related tax effects.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The supplemental information on an unaudited pro forma financial basis presents the combined results of the Company and its acquisitions during the three and **six** nine months ended **June 30, 2022** **September 30, 2022** as if each acquisition had occurred on January 1, 2022 (in thousands, except per share amounts):

	<b>Three months ended June 30, 2022</b>	<b>Six months ended June 30, 2022</b>
	(unaudited)	(unaudited)
Revenues	\$ 343,275	\$ 668,309
Net income	(46,300)	(21,543)
Income per common share - Basic	(0.99)	(0.46)
Income per common share - Diluted	(0.99)	(0.46)

	<b>Three months ended September 30, 2022</b>	<b>Nine months ended September 30, 2022</b>
	(unaudited)	(unaudited)
Revenues	\$ 342,173	\$ 1,010,600
Net income (loss)	18,120	(3,801)
Income (loss) per common share - Basic	0.39	(0.08)
Income (loss) per common share - Diluted	0.39	(0.08)

**4. Investments**

Investments consist primarily of equity and debt securities.

**Investment Investments in equity securities**

On October 7, 2021, the Company completed the separation of its cloud fax business (the "Separation") into an independent publicly traded company, Consensus Cloud Solutions, Inc. ("Consensus"). Following the Separation, the Company retained shares of Consensus common stock and as of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company held approximately 1.0 million and **1.1 million** **1.1 million** shares, respectively, of the common stock of Consensus. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the carrying value of the investment in Consensus was **\$32.1 million** **\$26.0 million** and **\$58.4 million**, respectively, and **was** **are** included in 'Short-term investments' in the Condensed Consolidated Balance Sheets. The Company accounts for its investment in Consensus at fair value under the fair value option, and the related fair value gains and losses are recognized in earnings.

During the three and nine months ended **June 30, 2022** **September 30, 2022**, the Company completed the non-cash tax-free debt-for-equity **exchange** **exchanges** of **2,300,000** **500,000** and **2,800,000** shares, respectively, of its common stock of Consensus for the extinguishment of **\$90.0** **\$22.3 million** and **\$112.3 million**, respectively of principal of the Company's Term Loan Facility Facilities (as defined in Note 7 - **Debt**), and related interest. During the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, the Company sold zero and **52,393** shares, respectively, of common stock of Consensus in the open market.

Losses on equity securities were recorded in 'Unrealized loss (gain) on short-term investments held at the reporting date, net' in the Condensed Consolidated Statements of Operations consisted of the following (in thousands):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net losses during the period	\$ (3,196)	\$ (75,560)	\$ (23,184)	\$ (66,609)
Less: (losses) gains on securities sold during the period	—	(48,243)	357	(48,243)
Unrealized losses recognized during the period on short-term investments held at the reporting date, net	<u>\$ (3,196)</u>	<u>\$ (27,317)</u>	<u>\$ (23,541)</u>	<u>\$ (18,366)</u>

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net (losses) gains during the period	\$ (6,019)	\$ 4,672	\$ (29,203)	\$ (61,937)
Less: gains (losses) on securities sold during the period	—	471	357	(47,772)
Unrealized (losses) gains recognized during the period on short-term investments held at the reporting date, net	\$ (6,019)	\$ 4,201	\$ (29,560)	\$ (14,165)

On July 31, 2023, the Company entered into an agreement to purchase \$25.0 million of equity of Xyla, Inc. ("Xyla") for a minority ownership stake. This minority investment was made in the form of cash and shares of the Company's common stock. The Company accounts for its investment in Xyla as an equity investment without a readily determinable fair value measured under the measurement alternative in accordance with ASC Topic 321, *Investments - Equity Securities*. As of September 30, 2023, the investment in Xyla has a carrying value of \$25.3 million, including transaction costs, and is included in 'Long-term investments' in the Condensed Consolidated Balance Sheets.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**Investment in corporate debt security**

On April 12, 2022, the Company entered into an agreement with an entity to acquire and acquired 4% convertible notes with an aggregate value of \$15.0 million. On May 19, 2023, the Company entered into the Note Amendment Agreement (the "Amendment") with respect to the same entity. The Amendment increased the interest rate on the convertible notes to 6%, extended the maturity date, and subordinated all existing and future obligations, liabilities, and indebtedness of the entity to the entity's senior creditor, as defined in the Amendment. This investment is included in 'Long-term investments, net' in the Condensed Consolidated Balance Sheets and is classified as available-for-sale. The investment was initially measured at its transaction price and subsequently remeasured at fair value, with unrealized gains and losses reported as a component of other comprehensive income.

As of June 30, 2023 September 30, 2023, both the carrying value and the maximum exposure of the Company's investment in corporate debt securities was approximately \$15.1 \$15.5 million, with a contractual maturity date that is more than one year but less than five years. As of December 31, 2022, both of the carrying value and the maximum exposure of the Company's equity method investment in corporate debt securities was approximately \$15.6 million. Cumulative gross unrealized gains on investment in corporate debt securities as of June 30, 2023 September 30, 2023 and December 31, 2022 was approximately \$0.1 million \$0.5 million and \$0.6 million, respectively.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

There were no investments in an unrealized loss position as of June 30, 2023 September 30, 2023 and December 31, 2022.

As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company did not recognize any other-than-temporary impairment losses on its debt securities.

**Equity method investment**

On September 25, 2017, the Company entered into a commitment to invest in an investment fund (the "OCV Fund"). The primary purpose of the OCV 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.

During both the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company received no distributions from OCV.

The Company recognizes its equity in the net earnings or losses relating to the investment in OCV on a one-quarter lag (including management fees) 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 three months ended June 30, 2023 September 30, 2023 and 2022, the Company recognized a gain (loss) from equity method investment of \$0.1 million and \$(3.2) million, net of tax benefit, respectively. During the nine months ended September 30, 2023 and 2022, the Company recognized a loss from equity method investment of \$0.6 million \$9.7 million and \$6.1 million, net of tax benefit, respectively. During the six months ended June 30, 2023 and 2022, the Company recognized a loss from equity method investment of \$9.8 million and \$6.9 million \$10.1 million, net of tax benefit, respectively. The losses during the three months ended June 30, 2023 and 2022 September 30, 2022 and during the six nine months ended June 30, 2023 September 30, 2023 and 2022 were primarily the result of losses in the underlying investments and the loss during the three and six nine months ended June 30, 2022 in connection with September 30, 2022 also included management fee expense. The Company did not recognize management fee expense in 2023, 2023 as a result of the settlement of certain litigation in 2022 whereby no further management fees would be paid by the Company to the manager of the OCV Fund. During the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized expense for management fees of \$0.8 million zero and \$1.5 million, respectively, net of tax benefit.

As of **June 30, 2023** **September 30, 2023**, both of the carrying value and the maximum exposure of the Company's equity method investment was **\$99.3** **\$99.4** million. As of December 31, 2022, both of the carrying value and the maximum exposure of the Company's equity method investment was \$112.3 million. These equity securities are included within 'Long-term investments' in the Condensed Consolidated Balance Sheets.

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 any future capital 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.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**5. Fair Value Measurements**

The Company 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.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**Recurring Fair Value Measurements**

The Company's money market funds are classified within Level 1. The Company values these Level 1 investments using quoted market prices.

The Company's investment in Consensus' common stock for which the Company elected the fair value option, and the fair value of the Company's investment in Consensus and subsequent fair value changes, are included in our assets and changes in fair value are recognized in earnings. As the initial carrying value of the investment in Consensus was negative immediately following the Separation, the Company elected the fair value option under ASC 825-10-25 to support the initial recognition of the investment in Consensus at fair value and the negative book value was recorded as a gain at the date of Separation. The fair value of the investment in Consensus is determined using quoted market prices, which is a Level 1 input.

The Company has investment in a corporate debt security that does not have a readily determinable fair value because acquired securities are privately held, not traded on any public exchanges and not an investment in a mutual fund or similar investment. The fair value of the corporate debt securities is determined primarily based on significant estimates and assumptions, including Level 3 inputs. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the fair value was determined based upon various probability-weighted scenarios which included discount rate assumptions between 12% **and** 13%, depending on the probability scenario. In addition, the determination of fair value included a conversion timeframe of one to three years, depending on probability scenario, as of **June 30, 2023** **September 30, 2023** and approximately one-year as of December 31, 2022.

**The fair value of the Company's 4.625% Senior Notes and 1.75% Convertible Notes (as defined in Note 7 - Debt) was determined using quoted market prices or dealer quotes for instruments with similar maturities and other terms and credit ratings, which are Level 1 inputs. If such information is not available for the 1.75% Convertible Notes, 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.**

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. 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. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the contingent consideration was determined using a 100% probability of payout at the maximum amount, without any other estimates applied.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

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):

June 30, 2023	Level 1	Level 2	Level 3	Fair Value	Carrying Value	September 30, 2023	Level 1	Level 2	Level 3	Fair Value	Carrying Value	
<b>September 30, 2023</b>						<b>September 30, 2023</b>						
<b>Assets:</b>	<b>Assets:</b>					<b>Assets:</b>						
Cash equivalents: Cash equivalents:						Cash equivalents:						
Money market and other funds	Money market and other funds	\$ 304,914	\$ —	\$ —	\$ 304,914	Money market and other funds	\$ 288,610	\$ —	\$ —	\$ 288,610	\$ 288,610	
Short-term investments:	Short-term investments:					Short-term investments:						
Certificates of deposit	Certificates of deposit	—	3,753	—	3,753	3,753	—	3,753	—	3,753	3,753	
Consensus common stock	Consensus common stock	32,063	—	—	32,063	32,063	26,044	—	—	26,044	26,044	
Long-term investments:	Long-term investments:					Long-term investments:						
Investment in corporate debt securities	Investment in corporate debt securities	—	—	15,067	15,067	15,067	—	—	15,469	15,469	15,469	
Total assets measured at fair value	Total assets measured at fair value	\$ 336,977	\$ 3,753	\$ 15,067	\$ 355,797	\$ 355,797	\$ 314,654	\$ 3,753	\$ 15,469	\$ 333,876	\$ 333,876	
<b>Liabilities:</b>	<b>Liabilities:</b>					<b>Liabilities:</b>						
Contingent consideration	Contingent consideration	\$ —	\$ —	\$ 3,389	\$ 3,389	\$ 3,389	Contingent consideration	\$ —	\$ —	\$ 3,389	\$ 3,389	\$ 3,389
Debt:												
4.625% Senior Notes	4.625% Senior Notes	399,658	—	—	399,658	456,596						
1.75% Convertible Notes	1.75% Convertible Notes	515,625	—	—	515,625	543,582						
Total liabilities measured at fair value	Total liabilities measured at fair value	\$ 915,283	\$ —	\$ 3,389	\$ 918,672	\$ 1,003,567	Total liabilities measured at fair value	\$ —	\$ —	\$ 3,389	\$ 3,389	\$ 3,389

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

December 31, 2022	December 31, 2022	Level 1	Level 2	Level 3	Fair Value	Carrying Value	December 31, 2022	Level 1	Level 2	Level 3	Fair Value	Carrying Value
<b>Assets:</b>	<b>Assets:</b>						<b>Assets:</b>					
Cash equivalents: Cash equivalents:							Cash equivalents:					
Money market and other funds	Money market and other funds	\$ 312,010	\$ —	\$ —	\$ 312,010	\$ 312,010	Money market and other funds	\$ 312,010	\$ —	\$ —	\$ 312,010	\$ 312,010
Short-term investments:	Short-term investments:						Short-term investments:					
Consensus common stock	Consensus common stock	58,421	—	—	58,421	58,421	Consensus common stock	58,421	—	—	58,421	58,421

Long-term investments:	Long-term investments:						Long-term investments:
Investment in corporate debt securities	Investment in corporate debt securities						Investment in corporate debt securities
Total assets measured at fair value	Total assets measured at fair value						Total assets measured at fair value
<b>Liabilities:</b>	<b>Liabilities:</b>						<b>Liabilities:</b>
Contingent consideration	Contingent consideration						Contingent consideration
Debt:							
4.625% Senior Notes	390,908	—	—	390,908	456,400		
1.75% Convertible Notes	548,411	—	—	548,411	542,653		
Total liabilities measured at fair value	\$ 939,319	\$ —	\$ 555	\$ 939,874	\$ 999,608	Total liabilities measured at fair value	\$ —

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 **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, there were no transfers that occurred between levels.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

The following table presents a reconciliation of the Company's Level 3 financial assets related to our contingent consideration arrangements and investment in corporate debt securities that are measured at fair value on a recurring basis (in thousands):

	Six months ended June 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	Contingent Consideration Arrangements	Corporate Debt Securities						
Balance as of January 1	\$ 555	\$ 15,586	\$ 5,775	\$ —	\$ 555	\$ 15,586	\$ 5,775	\$ —
Fair value at date of acquisition	2,834	—	200	15,000	2,834	—	555	15,000
Fair value adjustments	(1)	(1)	(519)	(9)	(1)	(117)	(2,305)	—
Payments	Payments	—	—	(2,919)	Payments	—	—	(2,919)
Balance as of June 30	\$ 3,389	\$ 15,067	\$ 3,047	\$ 15,000				
Balance as of September 30					\$ 3,389	\$ 15,469	\$ 1,106	\$ 15,000

(1) The fair value adjustments to the contingent consideration arrangements in the table above were recorded within 'General and administrative' on the Condensed Consolidated Statements of Operations during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. The fair value adjustments to the corporate debt securities in the table above were recorded within 'Change in fair value on available-for-sale investments, net' on the Condensed Consolidated Statements of Comprehensive (Loss) Income during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022.

**Nonrecurring Fair Value Measurements**

The Company's non-financial assets, such as goodwill, intangible assets, right-of-use assets, and property, plant and equipment, are adjusted to fair value only when an impairment is recognized. The Company's financial assets, comprised of equity securities without readily determinable fair value, are adjusted to fair value when observable price changes are identified or due to impairment. Such fair value measurements are based predominately on Level 3 inputs. See Note 1 - *Basis of Presentation* for further information on intangible assets and right-of-use assets impairment charges recorded in the three and nine months ended September 30, 2023 and 2022. See Note 7 - *Goodwill and Intangible Assets* for further information on a goodwill impairment charge recorded in the three and nine months ended September 30, 2023 and 2022.

#### Other Fair Value Disclosures

The fair value of the Company's 4.625% Senior Notes and 1.75% Convertible Notes (as defined in Note 7 - *Debt*) was determined using quoted market prices or dealer quotes for instruments with similar maturities and other terms and credit ratings, which are Level 1 inputs. If such information is not available for the 1.75% Convertible Notes, 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.

The following table presents the carrying value and the fair value of financial instruments measured at fair value only for disclosure purposes:

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
4.625% Senior Notes	\$ 456,695	\$ 389,022	\$ 456,400	\$ 390,908
1.75% Convertible Notes	\$ 544,048	\$ 508,832	\$ 542,653	\$ 548,411

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### ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

#### 6. Goodwill and Intangible Assets

##### Goodwill

The changes in carrying amounts of goodwill for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** are as follows (in thousands):

	Cybersecurity and Martech				Cybersecurity and Martech			
	Digital Media	Cybersecurity and Martech	Consolidated		Digital Media	Cybersecurity and Martech	Consolidated	
Balance as of January 1, 2023	Balance as of January 1, 2023	\$ 1,065,989	\$ 525,485	\$ 1,591,474	Balance as of January 1, 2023	\$ 1,065,989	\$ 525,485	\$ 1,591,474
Goodwill acquired (Note 3)	Goodwill acquired (Note 3)	6,555	—	6,555	Goodwill acquired (Note 3)	6,258	—	6,258
Goodwill impairment					Goodwill impairment	(56,850)	—	(56,850)
Purchase accounting adjustments <sup>(1)</sup>	Purchase accounting adjustments <sup>(1)</sup>	(72)	—	(72)	Purchase accounting adjustments <sup>(1)</sup>	(72)	—	(72)
Foreign exchange translation	Foreign exchange translation	247	1,692	1,939	Foreign exchange translation	(644)	(503)	(1,147)
Balance as of June 30, 2023	\$ 1,072,719	\$ 527,177	\$ 1,599,896					
Balance as of September 30, 2023				Balance as of September 30, 2023	\$ 1,014,681	\$ 524,982	\$ 1,539,663	

(1) Purchase accounting adjustments relate to measurement period adjustments to goodwill in connection with prior business acquisitions.

During the three and nine months ended September 30, 2023 and 2022, the Company reassessed the fair value of certain reporting units within the Digital Media reportable segment as a result of a forecasted reduction in revenue and EBITDA in the reporting unit, as well as an increase in interest rates and market volatility that would affect the Company's assumptions on its discount rate. Based on the quantitative fair value test in each period, the carrying value of the reporting unit exceeded its fair value, and the Company recorded an impairment of approximately \$56.9 million during the three and nine months ended September 30, 2023, and approximately \$27.4 million during the three and nine months ended September 30, 2022. Following the impairment during the three and nine months ended September 30, 2022, the reporting unit had goodwill of approximately \$86.9 million and the carrying value approximated its fair value. Following the impairment during the three and nine months ended September 30, 2023, the reporting unit had goodwill of approximately \$79.2 million and there is no excess of reporting unit fair value over the carrying amount, so any further decrease in estimated fair value would result in an additional impairment charge to goodwill. Changes in market conditions, and key assumptions made in future quantitative assessments, including

expected cash flows, competitive factors and discount rates, could negatively impact the results of future impairment testing and could result in the recognition of an impairment charge.

In each period, the fair value of the reporting unit was determined using an equal weighting of an income approach that was based on the discounted estimated future cash flows of the reporting unit and a market approach that uses the guideline public company approach. We believe the combination of these approaches provides an appropriate valuation because it incorporates the expected cash generation of the reporting unit in addition to how a third-party market participant would value the reporting unit. As the business is assumed to continue in perpetuity, the discounted future cash flows include a terminal value. Determining fair value using a discounted estimated future cash flow analysis requires the exercise of significant judgment with respect to several items, including the amount and timing of expected future cash flows and appropriate discount rates. The expected cash flows used in the discounted cash flow analyses were based on the most recent forecast for the reporting unit. For years beyond the forecast period, the estimates were based, in part, on forecasted growth rates. The discount rate the Company used represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in its reporting unit operations and the rate of return a market participant would expect to earn. Determining fair value using a market approach considers multiples of financial metrics based on trading multiples of a selected peer group of companies. From the comparable companies, a representative market multiple is determined, which is applied to financial metrics to estimate the fair value of the reporting unit.

During the three months ended September 30, 2022, the Company realigned two reporting units within the Digital Media reportable segment. The Company re-allocated goodwill between the two identified reporting units based upon the relative fair value of the respective reporting units. Immediately before and immediately following this change in reporting units, the Company performed a quantitative fair value assessment using the income approach and market approach noted above, and each of these reporting units exceeded their respective carrying values and, therefore, there was no impairment to goodwill.

Goodwill as of June 30, 2023 September 30, 2023 and December 31, 2022 reflects accumulated impairment losses of \$27.4 million \$84.2 million and \$27.4 million, respectively, in the Digital Media reportable segment.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**Intangible Assets Subject to Amortization**

As of June 30, 2023 September 30, 2023, intangible assets subject to amortization relate primarily to the following (in thousands):

		Weighted-Average Amortization Period						Weighted-Average Amortization Period	
		Historical Cost	Accumulated Amortization		Net				
Trade names	Trade names	10 years	\$ 263,700	\$ 137,103	\$ 126,597	Trade names	10 years	Trade names	10 years
Customer relationships (1)	Customer relationships (1)	8 years	\$ 692,399	\$ 516,458	\$ 175,941	Customer relationships (1)	8 years	Customer relationships (1)	8 years
Other purchased intangibles	Other purchased intangibles	9 years	\$ 478,282	\$ 379,181	\$ 99,101	Other purchased intangibles	9 years	Other purchased intangibles	9 years
Total	Total		\$ 1,434,381	\$ 1,032,742	\$ 401,639	Total		Total	

(1) The Company amortizes customer relationship assets in a pattern that best reflects the pace at which the asset's benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first 4 to 5 years, despite the overall life of the asset.

As of December 31, 2022, intangible assets subject to amortization relate primarily to the following (in thousands):

		Weighted-Average Amortization Period		Historical Cost		Accumulated Amortization		Net	
Trade names		10 years		\$ 261,614		\$ 125,422		\$ 136,192	
Customer relationships (1)		8 years		\$ 687,798		\$ 479,741		\$ 208,057	
Other purchased intangibles		8 years		\$ 481,973		\$ 363,407		\$ 118,566	
Total				\$ 1,431,385		\$ 968,570		\$ 462,815	

(1) The Company amortizes customer relationship assets in a pattern that best reflects the pace at which the asset's benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first 4 to 5 years, despite the overall life of the asset.

Amortization expense, included in General and administrative expense on the Condensed Consolidated Statements of Operations, was approximately \$35.3 million \$33.0 million and \$41.8 million \$36.3 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$68.6 million \$100.0 million and \$83.0 million \$119.3 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**7. Debt**

Long-term debt consists of the following (in thousands):

		June 30, 2023		December 31, 2022				September 30, 2023		December 31, 2022	
4.625% Senior Notes	4.625% Senior Notes	\$	460,038	\$	460,038	4.625% Senior Notes		\$	460,038	\$	460,038
1.75% Convertible Notes	1.75% Convertible Notes		550,000		550,000	1.75% Convertible Notes			550,000		550,000
Total Notes	Total Notes		1,010,038		1,010,038	Total Notes			1,010,038		1,010,038
Credit Agreement	Credit Agreement		—		—	Credit Agreement			—		—
Less: Unamortized discount	Less: Unamortized discount		(2,615)		(2,764)	Less: Unamortized discount			(2,540)		(2,764)
Deferred issuance costs	Deferred issuance costs		(7,245)		(8,221)	Deferred issuance costs			(6,755)		(8,221)
Total long-term debt	Total long-term debt	\$	1,000,178	\$	999,053	Total long-term debt		\$	1,000,743	\$	999,053

As of June 30, 2023 September 30, 2023, \$550.0 million of principal will mature in 2026 and \$460.0 million of principal will mature in 2030.

**4.625% Senior Notes**

On October 7, 2020, the Company completed the issuance and sale of \$750.0 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 net proceeds were used to redeem all of its outstanding 6.0% Senior Notes due in 2025 and, the remaining net proceeds were available for general corporate purposes which may include acquisitions and the repurchase or redemption of other outstanding indebtedness.

These 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 the Company 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, up 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, up 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 discount and deferred issuance costs are being amortized, at an effective interest rate of 4.7%, to interest expense through the maturity date.

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 the Company and subsidiaries designated as restricted subsidiaries have 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 exceeding 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 for the 4.625% Senior Notes as of June 30, 2023 September 30, 2023.

**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Repurchases of 4.625% Senior Notes on the open market were as follows (in thousands):

	Three months ended June 30, 2022		Six months ended June 30, 2022		Three months ended September 30, 2022		Nine months ended September 30, 2022	
	Principal repurchased	Principal repurchased	\$ 21,494	\$ 76,103	Principal repurchased	\$ 105,135	\$ 181,238	
Aggregate purchase price	Aggregate purchase price	\$ 18,245	\$ 73,610	Aggregate purchase price	\$ 94,051	\$ 167,661		
Gain on repurchase <sup>(1)</sup>	Gain on repurchase <sup>(1)</sup>	\$ 3,069	\$ 1,849	Gain on repurchase <sup>(1)</sup>	\$ 10,211	\$ 12,060		

(1) Presented within 'Gain (loss) on debt extinguishment, net' on the Condensed Consolidated Statements of Operations.

Cumulatively as of **June 30, 2023** **September 30, 2023**, the Company repurchased approximately \$290 million in aggregate principal of its 4.625% Senior Notes.

### 1.75% Convertible Notes

On November 15, 2019, the Company issued \$550.0 million aggregate principal amount of 1.75% convertible senior notes due November 1, 2026 (the "1.75% Convertible Notes"). The Company 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 then-existing Credit Facility. 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.

Under certain conditions set forth in the indenture, the 1.75% Convertible Notes bear additional interest of 0.50% per annum payable semiannually in arrears on May 1 and November 1 of each year, beginning on May 1, 2021. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company recorded **an additional \$7.4** **\$0.3** million and **\$7.7** million of interest expense related to the 1.75% Convertible Notes for such additional interest that accumulated through June 30, 2023. On August 1, 2023, **interest**. In August 2023, **\$7.0** million of this interest obligation was paid by the Company to the trustee under the indenture for the 1.75% Convertible Notes, which **will be payable** was paid to holders of record in August 2023. The Company **will record additional interest of approximately \$0.3 million in the third quarter of 2023 and the Company will pay** paid its remaining obligation of approximately **\$0.7** million **on as of November 1, 2023**. As of August 1, 2023, the Company has complied with the conditions set forth in the indenture. As such, the cumulative **\$7.7** million interest expense **will be** was non-recurring.

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 the Company's 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 the Company's 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. The Company will settle conversions of the 1.75% Convertible Notes by paying or delivering, as the case may be, cash, shares of the Company's common stock or a combination thereof at the Company'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 **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 our Condensed Consolidated Balance Sheets.

As of **June 30, 2023** **September 30, 2023**, the conversion rate is 9.3783 shares of the Company's common stock for each \$1,000 principal amount of 1.75% Convertible Notes (or 5,158,071 shares), which represents a conversion price of approximately \$106.63 per share of the Company's 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), the Company 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.

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### ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

The Company 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; (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.

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

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Principal amount of 1.75% Convertible Notes	Principal amount of 1.75% Convertible Notes	\$ 550,000	\$ 550,000	Principal amount of 1.75% Convertible Notes	\$ 550,000	\$ 550,000	\$ 550,000
Principal amount of 1.75% Convertible Notes	Principal amount of 1.75% Convertible Notes	\$ 550,000	\$ 550,000	Principal amount of 1.75% Convertible Notes	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000

Less: Carrying amount of debt issuance costs	Less: Carrying amount of debt issuance costs	(6,418)	(7,347)	Less: Carrying amount of debt issuance costs	(5,952)	(7,347)
Net carrying amount of 1.75% Convertible Notes	Net carrying amount of 1.75% Convertible Notes	\$ 543,582	\$ 542,653	Net carrying amount of 1.75% Convertible Notes	\$ 544,048	\$ 542,653

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

	Three months ended June 30,				Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022		2023		2022	
	Contractual interest expense	Amortization of debt of issuance costs	Contractual interest expense	Amortization of debt of issuance costs	Contractual interest expense	Amortization of debt of issuance costs	Contractual interest expense	Amortization of debt of issuance costs	Contractual interest expense	Amortization of debt of issuance costs	Contractual interest expense	Amortization of debt of issuance costs
Contractual interest expense	\$ 9,810	\$ 2,557	\$ 12,216	\$ 4,963	\$ 2,746	\$ 2,407	\$ 14,963	\$ 7,370				
Amortization of debt of issuance costs	463	451	929	944	466	456	1,395	1,400				
Total interest expense related to 1.75% Convertible Notes	\$ 10,273	\$ 3,008	\$ 13,145	\$ 5,907	\$ 3,212	\$ 2,863	\$ 16,358	\$ 8,770				
<u>Accounting for the 1.75% Convertible Notes</u>												

On January 1, 2022 the Company adopted ASU 2020-06 using the modified retrospective method. As a result of this adoption, the Company de-recognized the remaining unamortized debt discount of \$87.3 million on the 1.75% Convertible Notes and therefore no longer recognizes any amortization of debt discounts as interest expense.

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 were attributable to the liability component and are being amortized at an effective interest rate of 5.5%, to interest expense through the maturity date. 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. Upon adoption of ASU 2020-06, the Company reclassified the \$2.8 million from additional paid-in-capital to long-term liability and recorded a cumulative adjustment to retained earnings for amortization from the issuance date through January 1, 2022.

#### Credit Agreement

On April 7, 2021, the Company entered into a \$100.0 million Credit Agreement (the "Credit Agreement"). Subject to customary certain conditions and approvals, the Company may, from time to time, request increases in the commitments under the Credit Agreement in an aggregate amount up to \$250.0 million, for a total aggregate commitment of up to \$350.0 million. The final maturity of the Credit Facility will occur on April 7, 2026.

At the Company's option, amounts borrowed under the Credit Agreement will bear interest at either (i) a base rate equal to the greater of (x) the Federal Funds Effective Rate (as defined in the Credit Agreement) in effect on such day plus 0.5% per annum, (y) the rate of interest per annum most recently announced by the Agent (as defined in the Credit Agreement) as its U.S. Dollar "Reference Rate" and (z) one month LIBOR plus 1.00% or (ii) a rate per annum equal to LIBOR divided by 1.00 minus the LIBOR Reserve Requirements (as defined in the Credit Agreement), in each case, plus an applicable margin. The applicable margin relating to any base rate loan will range from 0.50% to 1.25% and the applicable margin relating to any LIBOR loan will range from 1.50% to 2.25%, in each case, depending on the total leverage ratio of the Company. The Company is permitted to make voluntary prepayments of the Credit Facility at any time without payment of a premium or penalty. The Credit Agreement is secured by an associated collateral agreement that provides for a lien on the majority of the Company's assets and the assets of the guarantors, in each case, subject to customary exceptions. As of June 30, 2023 September 30, 2023, there were no amounts outstanding under the Credit Agreement.

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#### ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

The Credit Agreement contains financial maintenance covenants, including (i) a maximum total leverage ratio as of the last date of any fiscal quarter not to exceed 4.00:1.00 for the Company and its restricted subsidiaries and (ii) a minimum interest coverage ratio as of the last date of any fiscal quarter not less than 3.00:1.00 for the Company and its restricted subsidiaries. The Credit Agreement also contains restrictive covenants that limit, among other things, the Company's and its restricted subsidiaries' ability to incur additional indebtedness, create, incur or assume liens, consolidate, merge, liquidate or dissolve, pay dividends or make other distributions or other restricted payments, make or hold any investments, enter into certain transactions with affiliates, sell assets other than on terms specified by the Credit Agreement, amend the terms of certain other indebtedness and organizational documents, and change their lines of business and fiscal years, in each case, subject to customary exceptions. The Credit Agreement also sets forth customary events of default, including, among other things, the failure to make timely payments under the Credit Facility, the failure to satisfy certain covenants, cross-default and cross-acceleration to other material debt for borrowed money, the occurrence of a change of control, and specified events of bankruptcy and insolvency. The Company is in compliance with its debt covenants for the Credit Agreement as of June 30, 2023 September 30, 2023.

#### Debt-for-Equity Exchange

On June 10, 2022 (the "Term Loan Funding Date"), the Company entered into a Fifth Amendment to its Credit Agreement with MUFG Union Bank, N.A. as administrative agent and collateral agent and the lenders party thereto to effectuate ~~the~~ a debt-for-equity exchange. The Fifth Amendment to the Credit Agreement provided for the issuance of senior secured term loans under the Credit Agreement (the "Term Loan Facility"), in an aggregate principal amount of \$90.0 million. The Term Loan Facility had a maturity date that was 60 days after the Term Loan Funding Date. The Term Loan Facility bore interest at a base rate equal to the greater of (x) the Federal Funds Effective Rate, as defined in the Credit Agreement, in effect on such day plus 0.5% per annum, (y) the rate of interest per annum most recently announced by the Agent, as defined in the Credit Agreement, as its U.S. Dollar "Reference Rate" and (z) one month LIBOR plus 1%, provided that the base rate for any term loan made under the Credit Agreement shall be greater of clause (x) and (y) above in each case.

On September 15, 2022 (the "Term Loan Two Funding Date"), the Company entered into a Sixth Amendment to its Credit Agreement with MUFG Union Bank, N.A. as administrative agent and collateral agent and the lenders party thereto to effectuate a second debt-for-equity exchange. The Sixth Amendment to the Credit Agreement provided for the Term Loan Two Facility (together with the Term Loan Facility, the "Facilities") in an aggregate principal amount of approximately \$22.3 million and certain other changes to the Credit Agreement. The Term Loan Two Facility had a maturity date that was 60 days after the Term Loan Two Funding Date. The Term Loan Two Facility bore interest at a base rate equal to the greater of (x) the Federal Funds Effective Rate, as defined in the Credit Agreement, in effect on such day plus 0.5% per annum, (y) the rate of interest per annum most recently announced by the Agent, as defined in the Credit Agreement, as its U.S. Dollar "Reference Rate" and (z) one month LIBOR plus 1.0%, provided that the base rate for any term loan made under the Credit Agreement shall be greater of clause (x) and (y) above in each case.

During the three and ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022, the Company borrowed approximately ~~\$90.0~~ \$22.3 million and \$112.3 million, respectively, under the ~~Term Loan Facility~~ Facilities and completed the non-cash debt-for-equity exchange of ~~2,300,000~~ 500,000 shares and 2,800,000 shares, respectively, of its common stock of Consensus to settle its obligation of ~~\$90.0~~ \$22.3 million and \$112.3 million, respectively, outstanding aggregate principal amount of the Term Loan Facility plus an immaterial amount of interest. During the three and ~~six~~ nine months ended ~~June 30, 2022~~ September 30, 2022, the Company recorded a loss on extinguishment of debt of approximately ~~\$0.5~~ \$0.1 million and ~~\$0.5~~ \$0.6 million, respectively, related to the debt-for-equity exchange, which is presented within 'Gain (loss) on debt extinguishment, net' on our Condensed Consolidated Statements of Operations.

## 8. Commitments and Contingencies

### Litigation

From time to time, the Company 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 the Company 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 July 8, 2020, Jeffrey Garcia filed a putative class action lawsuit against the Company in the Central District of California (20-cv-06096), alleging violations of federal securities laws. The court appointed a lead plaintiff. The Company moved to dismiss the consolidated class action complaint. The court granted the motion to dismiss and the plaintiff filed an amended complaint. The Company moved to dismiss the amended complaint. On August 8, 2022, the court granted the Company's motion to dismiss the amended complaint without leave to amend. The lead plaintiff has filed a notice of appeal and ~~appeal briefs have been filed~~, the matter is pending on appeal.

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### ZIFF DAVIS, INC. AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

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 for breach of fiduciary duty and related theories against directors of the Company and other third parties relating generally to the investment by the Company in OCV Fund I, L.P. (the "Chancery Court Derivative Action"). On November 17, 2020, the court entered an order allowing Orlando Police Pension Fund to intervene as a plaintiff in the case. The parties reached an agreement to settle the lawsuit, which required court approval. On July 29, 2021, the parties filed a stipulation of settlement that provided the terms of the settlement and began the settlement approval process with the Court. On January 20, 2022 the court approved the settlement. Among other terms of the settlement, no further management fees will be charged and no further capital calls will be made in connection with the Company's investment in OCV Fund I, L.P.

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### ZIFF DAVIS, INC. AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

On December 11, 2020, Danning Huang filed a lawsuit in the District of Delaware (20-cv-01687-LPS) asserting derivative claims against directors of the Company 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.

On March 24, 2021, Fritz Ringling filed a lawsuit in the District of Delaware (21-cv-00421-UNA) asserting substantially similar derivative claims, and on April 8, 2021, the district court consolidated the two actions under the caption In re J2 Global Stockholder Derivative Litigation. No.: 20-cv-01687-LPS. As part of the settlement of the Chancery Court Derivative Action described above, the Company and its directors and officers intend to defend against the remaining claims in other actions.

The Company 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 the Company's consolidated financial position, results of operations, or cash flows in a particular period.

The Company has not accrued for any material loss contingencies relating to these legal proceedings because materially unfavorable outcomes are not considered probable by management. It is the Company's policy to expense as incurred legal fees related to various litigations.

#### **Non-Income Related Taxes**

The Company does not collect and remit sales and use, telecommunication, or similar taxes and fees in certain jurisdictions where the Company believes 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 recognizes a liability for these matters when it is probable that an obligation exists and the amount can be reasonably estimated based on all relevant information that is available at each reporting period.

The Company established reserves for these matters of \$25.5 million and \$24.0 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, which are included within 'Accounts payable' and 'Other long-term liabilities' on the Company's Condensed Consolidated Balance Sheet. It is reasonably possible that additional liabilities could be incurred resulting in additional expense, which could have a material impact to our financial results.

#### **9. Income Taxes**

The Company's tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate adjusted for discrete interim period tax impacts. Each quarter the Company updates its estimated annual effective tax rate and, if the estimate changes, makes a cumulative adjustment. The Company's effective tax rate was 27.2% (20.7%) and (33.2%) 45.9% for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively and 23.7% (1,040.8%) and 12,760.8% 83.9% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

The Company's effective tax rate for the three and six nine months ended June 30, 2023 September 30, 2023 was disproportionately impacted by the goodwill impairment of \$56.9 million. No corresponding tax benefit was recorded on the impairment charge since it entirely related to excess financial statement goodwill with no tax basis.

During the three and nine months ended September 30, 2022 the Company's effective tax rate was impacted due to the unrealized loss on the Company's Company recording a deferred tax liability and corresponding tax expense of \$11.3 million related to its investment in Consensus which resulted in a discrete tax benefit of approximately \$0.8 million and \$5.8 million during the three and six months ended June 30, 2023, respectively.

Conversely, during the three and six months ended June 30, 2022, the unrealized loss on the Company's investment in Consensus resulted in no tax benefit recognized. The loss was not subject to tax since the Company had the ability at that time to did not dispose of the investment in a tax-free manner based on guidance and requirements set out by the Internal Revenue Service, shares within the one-year anniversary of the Separation. The increase to

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#### **ZIFF DAVIS, INC. AND SUBSIDIARIES**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

tax expense was partially offset by a tax benefit of \$6.7 million for recording a deferred tax asset on the impairment of goodwill recorded during the three and nine months ended September 30, 2022.

As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company had \$40.3 million \$41.4 million and \$40.4 million, respectively, in liabilities for uncertain income tax positions included within 'Other long-term liabilities' on the Condensed Consolidated Balance Sheets. Accrued interest and penalties related to unrecognized tax benefits are recognized in income tax expense on the Company's Condensed Consolidated Statement of Operations.

Certain taxes are prepaid during the year and, where appropriate, included within 'Prepaid expenses and other current assets' on the Condensed Consolidated Balance Sheets. The Company's prepaid taxes were \$1.0 \$0.2 million and \$3.2 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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#### **ZIFF DAVIS, INC. AND SUBSIDIARIES**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

#### **10. Stockholders' Equity**

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"). The Company entered into certain Rule 10b-1 trading plans to execute repurchases under the 2020 Program. During the three months ended June 30, 2023 September 30, 2023 and 2022, the Company repurchased 980,418 605,428 and 182,247 zero shares, respectively, under the 2020 Program, at an aggregate cost of approximately \$63.9 million \$41.0 million and \$12.7 million, zero, respectively (including excise tax). During the six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company repurchased 980,418 1,585,846 and 736,536 shares, respectively, under the 2020 Program, at an aggregate cost of approximately \$63.9 \$104.9 million and \$71.3 million, respectively (including excise tax). Cumulatively as of June 30, 2023 September 30, 2023, 4,653,264 5,258,692 shares were repurchased under the 2020 Program, at an aggregate cost of \$360.8 million \$401.8 million (including excise tax). As a result of the repurchases, the number of shares of the Company's common stock available for purchase as of June 30, 2023 September 30, 2023 was 5,346,736 4,741,308 shares.

During July 2023, the Company repurchased 105,428 shares of its common stock under the 2020 Program, at an aggregate cost of approximately \$7.5 million (including excise tax). As of August 4, 2023, there were 5,241,308 shares of the Company's common stock available for purchase under the 2020 Program.

The Company accounts for share repurchases on a trade date basis by allocating cost in excess of par value between retained earnings and additional paid-in capital. The repurchased shares are constructively retired and returned to an authorized but unissued status. On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022, which imposed a 1.0% excise tax on share repurchases made after December 31, 2022. As a result, the Company accrued excise tax in connection with the share repurchases it completed during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

Periodically, participants in the Company's stock plans surrender to the Company shares of 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 three months ended **June 30, 2023** **September 30, 2023** and 2022, the Company purchased and retired **5,223** **9,479** and **9,864** **2,601** shares at an aggregate cost of approximately **\$0.4 million** **\$0.2 million** and **\$0.9 million** **\$0.2 million**, respectively, from plan participants for this purpose. During the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the Company purchased and retired **41,875** **51,354** and **50,236** **52,837** shares at an aggregate cost of approximately **\$3.2 million** **\$3.5 million** and **\$5.0 million** **\$5.2 million**, respectively, from plan participants for this purpose.

## 11. Share-Based Compensation

The Company's share-based compensation plans include the 2015 Stock Option Plan (the "2015 Plan") and 2001 Employee Stock Purchase Plan (the "Purchase Plan"). Each plan is described below.

The 2015 Plan provides for the granting 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 the Company's 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 the Company's common stock subject to the option on the date the option is granted. As of **June 30, 2023** **September 30, 2023**, 435,135 shares underlying options and **849,826** **818,106** shares of restricted stock units were outstanding under the 2015 Plan. At **June 30, 2023** **September 30, 2023**, there were **1,043,255** **1,069,488** additional shares underlying options, shares of restricted stock and other share-based awards available for grant under the 2015 Plan.

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## ZIFF DAVIS, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

### Share-Based Compensation Expense

The following table presents the effects of share-based compensation expense in the Condensed Consolidated Statements of Operations during the periods presented (in thousands):

		Three months ended				Three months ended				Nine months ended			
		June 30,		Six months ended June 30,		September 30,		September 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Cost of revenues	Cost of revenues	\$ 94	\$ 142	\$ 170	\$ 226	Cost of revenues	\$ 76	\$ 63	\$ 246	\$ 289			
Sales and marketing	Sales and marketing	1,038	1,106	1,962	1,675	Sales and marketing	323	772	2,285	2,447			
Research, development, and engineering	Research, development, and engineering	958	852	1,741	1,481	Research, development, and engineering	840	567	2,581	2,048			
General and administrative	General and administrative	7,127	5,603	13,746	11,038	General and administrative	5,535	4,984	19,281	16,022			
Total share-based compensation expense	Total share-based compensation expense	\$ 9,217	\$ 7,703	\$ 17,619	\$ 14,420	Total share-based compensation expense	\$ 6,774	\$ 6,386	\$ 24,393	\$ 20,806			

### Restricted Stock

The Company has awarded restricted stock and restricted stock units to its Board of Directors and senior staff pursuant to certain share-based compensation plans. 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, four or five years for senior staff (excluding market-based awards discussed below) and four to eight years for the Chief Executive Officer. The Company granted **291,159** **296,705** and **132,117** **152,982** shares of restricted stock and restricted units (excluding awards with market conditions below) during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

The Company has awarded certain key employees market-based restricted stock and market-based restricted stock units 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). Share-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 **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company awarded 167,606 market-based restricted stock units at stock price targets ranging from \$83.61 to \$103.76 per share. During the **six** **nine** months ended **June 30, 2022** **September 30, 2022**, the Company awarded 100,193 market-based restricted stock units at stock price targets ranging from \$107.97 to \$138.73 per share. The per share weighted average grant-date fair values of the market-based restricted stock units granted during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 were \$70.07 and \$87.11, respectively.

The weighted-average fair values of market-based restricted stock units granted have been estimated utilizing the following assumptions:

	June 30, 2023		June 30, 2022		September 30, 2023		September 30, 2022	
Underlying stock price at valuation date	Underlying stock price at valuation date	\$ 77.80	\$ 99.32	Underlying stock price at valuation date	\$ 77.80	\$ 99.32		
Expected volatility	Expected volatility	32.0 %	36.7 %	Expected % volatility	32.0 %	36.7 %		
Risk-free interest rate	Risk-free interest rate	4.1 %	1.8 %	Risk-free interest rate	4.1 %	1.8 %		

Restricted stock award activity for the six nine months ended June 30, 2023 September 30, 2023 is set forth below:

	Weighted-Average Grant-Date Fair Value			Weighted-Average Grant-Date Fair Value	
	Shares		Shares		
Nonvested at January 1, 2023	Nonvested at January 1, 2023	311,281	\$ 59.90	Nonvested at January 1, 2023	311,281
Vested	Vested	(47,484)	\$ 78.37	Vested	(51,154)
Nonvested at June 30, 2023		<u>263,797</u>	\$ 57.71		
Canceled				Canceled	(322)
Nonvested at September 30, 2023				Nonvested at September 30, 2023	<u>259,805</u>
					\$ 48.82

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

Restricted stock unit activity for the six nine months ended June 30, 2023 September 30, 2023 is set forth below:

	Number of Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Number of Shares	Aggregate Intrinsic Value
Outstanding at January 1, 2023	Outstanding at January 1, 2023	464,354		Outstanding at January 1, 2023	464,354
Granted	Granted	458,765		Granted	464,311
Vested	Vested	(67,892)		Vested	(73,701)
Canceled	Canceled	(5,401)		Canceled	(36,858)
Outstanding at June 30, 2023		<u>849,826</u>	3.2	\$ 59,538,810	
Vested and expected to vest at June 30, 2023		<u>710,196</u>	2.9	\$ 49,756,330	
Outstanding at September 30, 2023				Outstanding at September 30, 2023	818,106
Vested and expected to vest at September 30, 2023				Vested and expected to vest at September 30, 2023	\$ 52,105,171
					\$ 47,747,103

As of June 30, 2023 September 30, 2023, the Company had unrecognized share-based compensation cost of approximately \$58.9 million \$53.2 million associated with these restricted stock awards and restricted stock units. This cost is expected to be recognized over a weighted-average period of 2.2.1 years for restricted stock awards and 3.0.2.5 years for restricted stock units.

**Employee Stock Purchase Plan**

The Purchase Plan provides for the issuance of a maximum of two million shares of the Company's 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 the Company's common stock at certain plan-defined dates. The price of the

Company's common stock purchased under the Purchase Plan for the offering periods is equal to 85% of the lesser of the fair market value of a share of common stock of the Company on the beginning or the end of the offering period.

The Company 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 used the Black-Scholes option pricing model to calculate the estimated fair value of the purchase right issued under the Purchase Plan. 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 12.7% and 11.2% as of June 30, 2023 and September 30, 2023 and 2022, respectively.

For the six months ended June 30, 2023 September 30, 2023 and 2022, 87,098 and 76,741 shares were purchased under the Purchase Plan, respectively at a price of \$54.25 and \$68.22 per share, respectively. As of June 30, 2023 September 30, 2023, 1,068,601 shares were available under the Purchase Plan for future issuance.

The shared-based compensation expense related to the Purchase Plan has been estimated utilizing the following weighted-average assumptions:

	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
Risk-free interest rate	Risk-free interest rate	4.7%	1.5%	Risk-free interest rate
Expected term (in years)	Expected term (in years)	0.5	0.5	Expected term (in years)
Expected volatility	Expected volatility	35.8%	41.6%	Expected volatility

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**12. Earnings Per Share**

The components of basic and diluted earnings (loss) per share are as follows (in thousands, except share and per share data):

	Three months ended June 30,					
	2023		2022			
	Basic	Diluted	Basic	Diluted		
Numerator for basic and diluted net income (loss) per common share:						
Net income (loss)	\$ 16,679	\$ 16,679	\$ (46,436)	\$ (46,436)		
Numerator for basic and diluted net (loss) income per common share:						
Net (loss) income						
Less: Net income available to participating securities <sup>(1)</sup>	Less: Net income available to participating securities <sup>(1)</sup>	(2)	(2)	—	Less: Net income available to participating securities <sup>(1)</sup>	
Plus: 1.75% Convertible Notes interest expense (after-tax)	Plus: 1.75% Convertible Notes interest expense (after-tax)	—	—	—	Plus: 1.75% Convertible Notes interest expense (after-tax)	
Net (loss) income available to the Company's common shareholders	Net (loss) income available to the Company's common shareholders	\$ 16,677	\$ 16,677	\$ (46,436)	Net (loss) income available to the Company's common shareholders	
Denominator: Basic weighted-average outstanding shares of common stock	Denominator: Basic weighted-average outstanding shares of common stock	46,798,800	46,798,800	46,978,709	Denominator: Basic weighted-average outstanding shares of common stock	
Diluted effect of:	Diluted effect of:			46,978,709	Diluted effect of:	

Equity incentive plans	Equity incentive plans	—	—	—	—	—	Equity incentive plans
Convertible debt	Convertible debt	—	—	—	—	—	Convertible debt
Diluted weighted-average outstanding shares of common stock	Diluted weighted-average outstanding shares of common stock	46,798,800	46,798,800	46,978,709	46,978,709	46,978,709	Diluted weighted-average outstanding shares of common stock
Net income (loss) per share		\$ 0.36	\$ 0.36	\$ (0.99)	\$ (0.99)	\$ (0.99)	Net (loss) income per share
Net (loss) income per share							Net (loss) income per share

(1) Represents unvested share-based payment awards that contain certain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid).

	Six months ended June 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for basic and diluted net income (loss) per common share:								
Net income (loss)	\$ 9,052	\$ 9,052	\$ (21,899)	\$ (21,899)				
Numerator for basic and diluted net loss per common share:								
Net loss					Net loss	\$ (21,919)	\$ (21,919)	\$ (3,714)
Less: Net income available to participating securities (1)	(2)	(2)	—	—	Less: Net income available to participating securities (1)	—	—	—
Plus: 1.75% Convertible Notes interest expense (after-tax)	Plus: 1.75% Convertible Notes interest expense (after-tax)	—	—	—	Plus: 1.75% Convertible Notes interest expense (after-tax)	—	—	—
Net income (loss) available to the Company's common shareholders	\$ 9,050	\$ 9,050	\$ (21,899)	\$ (21,899)	Net loss available to the Company's common shareholders	\$ (21,919)	\$ (21,919)	\$ (3,714)
Net loss available to the Company's common shareholders					Net loss available to the Company's common shareholders	\$ (21,919)	\$ (21,919)	\$ (3,714)
Denominator: Basic weighted-average outstanding shares of common stock	Denominator: Basic weighted-average outstanding shares of common stock	46,892,504	46,892,504	47,016,351	Denominator: Basic weighted-average outstanding shares of common stock	46,612,660	46,612,660	46,967,671
Diluted effect of:	Diluted effect of:	—	—	—	Diluted effect of:	—	—	—
Equity incentive plans	Equity incentive plans	—	—	—	Equity incentive plans	—	—	—

Convertible debt	Convertible debt	—	—	—	—	Convertible debt	—	—	—	—
Diluted weighted-average outstanding shares of common stock	Diluted weighted-average outstanding shares of common stock	46,892,504	46,892,504	47,016,351	47,016,351	Diluted weighted-average outstanding shares of common stock	46,612,660	46,612,660	46,967,671	46,967,671
Net income (loss) per share	\$ 0.19	\$ 0.19	\$ (0.47)	\$ (0.47)		Net loss per share	\$ (0.47)	\$ (0.47)	\$ (0.08)	\$ (0.08)
						Net loss per share	\$ (0.47)	\$ (0.47)	\$ (0.08)	\$ (0.08)

(1) Represents unvested share-based payment awards that contain certain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid).

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

For the three months ended June 30, 2023 September 30, 2023 and 2022, there were 1,548,331 1,512,611 and 1,263,394 1,278,330 shares, respectively, of stock options and restricted stock excluded from the calculation of diluted shares as they were anti-dilutive primarily due to the average stock price net loss during the 2023 period and the net loss average stock price during the 2022 period. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, there were 1,548,331 1,512,611 and 1,263,394 1,278,330 shares, respectively, of stock options and restricted stock excluded from the calculation of diluted shares as they were anti-dilutive primarily due to the average stock price during the 2023 period and the net loss during the 2022 each period. For the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, 5,158,071 shares related to convertible debt were excluded from diluted shares because they were anti-dilutive under the if-converted method for the diluted net income per share calculation of convertible debt instruments.

### 13. Segment Information

The Company's businesses are based on the organizational structure used by the chief operating decision maker ("CODM"). The Company aggregates its operating segments into two reportable segments: Digital Media and Cybersecurity and Martech.

The accounting policies of the businesses are the same as those described in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2023. The Company evaluates performance based on revenue and profit or loss from operations.

Information on reportable segments and reconciliation to income from operations is as follows (in thousands):

	Revenue by reportable segment:	Three months ended June 30,				Six months ended June 30,		Revenue by reportable segment:
		2023		2022		2023		
Revenue by reportable segment:	Revenue by reportable segment:							
Digital Media	Digital Media	\$ 252,870	\$ 258,700	\$ 487,081	\$ 493,527			Digital Media
Cybersecurity and Martech	Cybersecurity and Martech	73,196	78,910	146,212	159,404			Cybersecurity and Martech
Elimination of inter-segment revenues	Elimination of inter-segment revenues	(50)	(254)	(135)	(507)			Elimination of inter-segment revenues
Total revenues	Total revenues	\$ 326,016	\$ 337,356	\$ 633,158	\$ 652,424			Total revenues
Operating costs and expenses by reportable segment (2):	Operating costs and expenses by reportable segment (2):							Operating costs and expenses by reportable segment (2):
Digital Media	Digital Media	216,154	214,077	421,896	416,784			Digital Media
Cybersecurity and Martech	Cybersecurity and Martech	59,679	66,333	121,092	134,499			Cybersecurity and Martech
Elimination of inter-segment operating expenses	Elimination of inter-segment operating expenses	(50)	(254)	(135)	(507)			Elimination of inter-segment operating expenses
Total segment operating expenses	Total segment operating expenses	275,783	280,156	542,853	550,776			Total segment operating expenses

Corporate (1)	Corporate (1)	11,338	11,313	25,095	25,199	Corporate (1)
Total operating costs and expenses	Total operating costs and expenses	287,121	291,469	567,948	575,975	Total operating costs and expenses
Operating income by reportable segment:						
Digital Media operating income		36,716	44,623	65,185	76,743	
Operating (loss) income by reportable segment:						Operating (loss) income by reportable segment:
Digital Media operating (loss) income						Digital Media operating (loss) income
Cybersecurity and Martech operating income	Cybersecurity and Martech operating income	13,517	12,577	25,120	24,905	Cybersecurity and Martech operating income
Total segment operating income		50,233	57,200	90,305	101,648	Total segment operating (loss) income
Total segment operating (loss) income						Total segment operating (loss) income
Corporate (1)	Corporate (1)	(11,338)	(11,313)	(25,095)	(25,199)	Corporate (1)
Income from operations		\$ 38,895	\$ 45,887	\$ 65,210	\$ 76,449	
(Loss) income from operations						(Loss) income from operations

(1) 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.

(2) Operating expenses for each segment include cost of sales and 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. For the three and nine months ended September 30, 2023 and 2022, the Company had an impairment to goodwill within operating costs and expenses for Digital Media.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**14. Supplemental Cash Flow Information**

Non-cash investing and financing activities were as follows (in thousands):

	Non-cash investing activity:	Six months ended June 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Non-cash investing activity:	Non-cash investing activity:			Non-cash investing activity:	
Property and equipment, accrued but unpaid	Property and equipment, accrued but unpaid	\$ 55	\$ 205	Property and equipment, accrued but unpaid	\$ 373
Right-of-use assets acquired in exchange for operating lease obligations	Right-of-use assets acquired in exchange for operating lease obligations	\$ 311	\$ 2,673	Right-of-use assets acquired in exchange for operating lease obligations	\$ 1,282
Purchase of equity investments with common stock				Purchase of equity investments with common stock	\$ 13,500
Disposition of Consensus common stock (1)	Disposition of Consensus common stock (1)	\$ —	\$ 89,991	Disposition of Consensus common stock (1)	\$ —
					\$ 112,286

Non-cash financing activity:	Non-cash financing activity:	Non-cash financing activity:
Debt principal settled in exchange for Consensus common stock (1)	Debt principal settled in exchange for Consensus common stock (1) \$	Debt principal settled in exchange for Consensus common stock (1) \$
—	\$ 89,991	— \$ 112,286

(1) During the three and six nine months ended June 30, 2022 September 30, 2022, the Company disposed \$138.3 million \$160.1 million of its investment in Consensus common stock in exchange for \$90.0 million \$112.3 million of debt and recorded \$48.2 million \$47.8 million of Loss on investment, net.

Supplemental data (in thousands):

	Six months ended June 30,		Nine months ended September 30,	
	2023		2022	
	Interest paid	Interest paid	Interest paid	Interest paid
Interest paid	\$ 15,443	\$ 19,264	\$ 22,395	\$ 20,718
Income taxes paid, net of refunds	\$ 29,966	\$ 15,436	\$ 47,001	\$ 31,632

## 15. Accumulated Other Comprehensive (Loss) Income

The following table summarizes the changes in accumulated balances of other comprehensive loss, (income), net of tax, for the three months ended June 30, 2023 September 30, 2023 (in thousands):

	Unrealized Gains (Losses) on Investments		Foreign Currency Translation		Total
	2023	2022	2023	2022	
Balance as of April 1, 2023	\$ 765	\$ (82,101)	\$ (81,336)		
Other comprehensive income	(713)		2,468		1,755
Balance as of June 30, 2023	\$ 52	\$ (79,633)	\$ (79,581)		

	Unrealized Gains (Losses) on Investments		Foreign Currency Translation		Total
	2023	2022	2023	2022	
Balance as of July 1, 2023	\$ 52	\$ (79,633)	\$ (79,581)		
Other comprehensive income (loss), net of tax	309		(6,841)		(6,532)
Balance as of September 30, 2023	\$ 361	\$ (86,474)	\$ (86,113)		

The following table summarizes the changes in accumulated balances of other comprehensive loss, (income), net of tax, for the six nine months ended June 30, 2023 September 30, 2023 (in thousands):

	Unrealized Gains (Losses) on Investments		Foreign Currency Translation		Total
	2023	2022	2023	2022	
Balance as of January 1, 2023	\$ 441	\$ (85,814)	\$ (85,373)		
Other comprehensive income	(389)		6,181		5,792
Balance as of June 30, 2023	\$ 52	\$ (79,633)	\$ (79,581)		

	Unrealized Gains (Losses) on Investments		Foreign Currency Translation		Total
	2023	2022	2023	2022	
Balance as of January 1, 2023	\$ 441	\$ (85,814)	\$ (85,373)		
Other comprehensive loss, net of tax	(80)		(660)		(740)
Balance as of September 30, 2023	\$ 361	\$ (86,474)	\$ (86,113)		

There were no reclassifications out of accumulated other comprehensive loss for the three and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

**16. Related Party Transactions**

**Consensus**

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company held approximately 1.0 million and 1.1 million shares of the common stock of Consensus, respectively, representing approximately 5% of the Consensus outstanding common stock. The Company determined that Consensus was no longer a related party after September 30, 2022. Related party transactions with Consensus through September 30, 2022 are included within the disclosures below.

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**ZIFF DAVIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued**

In preparation for and in executing the Separation, the Company incurred transaction-related costs, some of which were, reimbursed by Consensus. These transaction costs primarily related to professional fees associated with preparation of regulatory filings and transaction execution and separation activities within finance, tax, and legal functions. In connection with the Separation, Ziff Davis and Consensus entered into several agreements that govern the relationship of the parties following the Separation, including a separation and distribution agreement, a transition services agreement, a tax matters agreement, an employee matters agreement, an intellectual property license agreement, and a stockholder and registration rights agreement. The transition services agreement governs services including certain information technology services, finance and accounting services, and human resource and employee benefit services. The agreed-upon charges for such services are generally intended to allow the providing company to recover all costs and expenses of providing such services, and nearly all such services were terminated without extension twelve months after the Separation. During the three and **six nine** months ended **June 30, 2022** **September 30, 2022**, the Company recorded an offset to expense of approximately zero and \$1.2 million, respectively, from Consensus related to the transition services agreement within 'General and administrative expenses' within the Condensed Consolidated Statements of Operations. During the three and **six nine** months ended **June 30, 2022** **September 30, 2022**, Consensus paid the Company approximately \$11.5 million, \$7.2 million, and \$11.5 million, \$18.7 million, respectively, related to reimbursement of the items described above. Further, the Company assigned its lease of office space in Los Angeles, California to Consensus. Ziff Davis remained the lessee under this lease and its obligations remained in place through October 7, 2022, after which time Consensus took over the lease in full. During the three and **six nine** months ended **June 30, 2022** **September 30, 2022**, the Company recorded an offset to lease expense of approximately \$0.4 million and \$0.5 million, \$0.9 million, \$1.5 million, respectively, related to this lease, however, Consensus paid the landlord directly (other than an immaterial amount of sublease payments from Ziff Davis to Consensus).

**OCV**

OCV is considered a related party because it is an investment that is accounted for by the equity method. On September 25, 2017, the Company entered into a commitment to invest in the OCV Fund. During both of the three months ended **June 30, 2023** **September 30, 2023** and 2022, the Company recognized expense for management fees of zero and \$0.8 million, zero. During the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the Company recognized expense for management fees of zero and \$1.5 million, net of tax benefit, respectively. As a result of the settlement of certain litigation in 2022, no further management fees will be paid by the Company to the manager of the OCV Fund. During both the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, the Company received no distributions from OCV.

**17. Subsequent Event**

On July 31, 2023, the Company made a minority investment in Xyla, Inc., an artificial intelligence company, for \$25 million in the form of cash and shares of the Company's common stock.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Forward-Looking Information**

*In addition to historical information, we have also made forward-looking statements in this report. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Our 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 below, the risk factors discussed in Part II, Item 1A - "Risk Factors" of this Quarterly Report on Form 10-Q (if any) and in Part I, Item 1A - "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 (together, the "Risk Factors"), and the factors discussed in the section in this Quarterly Report on Form 10-Q entitled "Quantitative and Qualitative Disclosures About Market Risk." 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. 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.

Some factors that could cause actual results to differ materially from those anticipated in these forward-looking statements include, but are not limited to, our ability and intention to:

- Sustain growth or profitability, particularly in light of an uncertain U.S. or worldwide economy, including the possibility of an economic downturn or recession, continuing inflation, supply chain disruptions, and other factors and their related impacts on customer acquisition and retention rates, customer usage levels, and credit and debit card payment declines;
- Maintain and increase our customer base and average revenue per user;
- Generate sufficient cash flow to make interest and debt payments, reinvest in our business, and pursue desired activities and businesses plans while satisfying restrictive covenants relating to debt obligations;
- Acquire businesses on acceptable terms and successfully integrate and realize anticipated synergies from such acquisitions;
- Continue to expand our businesses and operations internationally in the wake of numerous risks, including adverse currency fluctuations, difficulty in staffing and managing international operations, higher operating costs as a percentage of revenues, or the implementation of adverse regulations;
- Maintain our financial position, operating results and cash flows in the event that we incur new or unanticipated costs or tax liabilities, including those relating to federal and state income tax and indirect taxes, such as sales, value-added and telecommunication taxes;
- Accurately estimate the assumptions underlying our effective worldwide tax rate;
- Maintain favorable relationships with critical third-party vendors whose financial condition will not negatively impact the services they provide;
- Create compelling digital media content causing facilitating increased traffic and advertising levels and additional advertisers or an increase in advertising spend, and effectively target digital media advertisements to desired audiences;
- Manage certain risks inherent to our business, such as costs associated with fraudulent activity, system failure or security breach; effectively maintaining and managing our billing systems; time and resources required to manage our legal proceedings; liability for legal and other claims; or adhering to our internal controls and procedures;
- Compete with other similar providers with regard to price, service, and functionality;
- Achieve business and financial objectives in light of burdensome domestic and international telecommunications, internet or other regulations, including regulations related to data privacy, access, security, retention, and sharing;
- Successfully manage our growth, including but not limited to our operational and personnel-related resources, and integration of newly acquired businesses;

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- Successfully adapt to technological changes and diversify services and related revenues at acceptable levels of financial return;

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- Successfully develop and protect our intellectual property, both domestically and internationally, including our brands, patents, trademarks and domain names, and avoid infringing upon the proprietary rights of others;
- Manage certain risks associated with environmental, social and governmental matters, including related reporting obligations, that could adversely affect our reputation and performance; and
- Recruit and retain key personnel.

In addition, other factors that could cause actual results to differ materially from those anticipated in these forward-looking statements or materially impact our financial results include the risks associated with new accounting pronouncements, as well as those associated with natural disasters, public health crises, pandemics, and other catastrophic events outside of our control.

## Overview

Ziff Davis, Inc. was incorporated in 2014 as a Delaware corporation through the creation of a holding company structure. Ziff Davis, Inc., together with its subsidiaries ("Ziff Davis", "the Company", "our", "us" or "we"), is a vertically focused digital media and internet company whose portfolio includes brands in technology, shopping, gaming and entertainment, connectivity, health, cybersecurity, and martech. Our Digital Media business specializes in the technology, shopping, gaming and entertainment, connectivity and healthcare markets, offering content, tools, and services to consumers and businesses. Our Cybersecurity and Martech business provides cloud-based subscription services to consumers and businesses including cybersecurity, privacy, and marketing technology.

Our consolidated revenues are currently generated primarily from two 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 Cybersecurity and Martech business is driven primarily by subscription revenues with relatively stable and predictable margins from quarter to quarter. 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. 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.

#### Performance Metrics

Revenues from customers classified by revenue source are as follows (in thousands):

Digital Media	Digital Media	Three months ended June 30,				Six months ended June 30,				Digital Media	
		2023		2022		2023		2022			
		Advertising	Subscription	Advertising	Subscription	Advertising	Subscription	Advertising	Subscription		
Advertising	Advertising	\$ 175,083	\$ 68,161	\$ 189,198	\$ 58,901	\$ 331,165	\$ 137,309	\$ 359,265	\$ 114,477	Advertising	
Subscription	Subscription									Subscription	
Other	Other									Other	
<b>Total Digital Media revenues</b>	<b>Total Digital Media revenues</b>	<b>\$ 252,870</b>	<b>\$ 73,196</b>	<b>\$ 258,700</b>	<b>\$ 78,910</b>	<b>\$ 487,081</b>	<b>\$ 146,212</b>	<b>\$ 493,527</b>	<b>\$ 159,404</b>	<b>Total Digital Media revenues</b>	
<b>Cybersecurity and Martech</b>	<b>Cybersecurity and Martech</b>									<b>Cybersecurity and Martech</b>	
Subscription	Subscription	\$ 73,196	\$ 78,910	\$ 146,212	\$ 159,404					Subscription	
<b>Total Cybersecurity and Martech revenues</b>	<b>Total Cybersecurity and Martech revenues</b>	<b>\$ 73,196</b>	<b>\$ 78,910</b>	<b>\$ 146,212</b>	<b>\$ 159,404</b>					<b>Total Cybersecurity and Martech revenues</b>	
Elimination of inter-segment revenues	Elimination of inter-segment revenues	(50)	(254)	(135)	(507)					Elimination of inter-segment revenues	
<b>Total Revenues</b>	<b>Total Revenues</b>	<b>\$ 326,016</b>	<b>\$ 337,356</b>	<b>\$ 633,158</b>	<b>\$ 652,424</b>					<b>Total Revenues</b>	

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We use certain metrics to generally assess the operational and financial performance of our businesses. For our advertising businesses, net advertising revenue retention is an indicator of our ability to retain the spend of our existing advertisers year over year, which we view as a reflection of the effectiveness of our advertising platform. Similarly, we monitor the number of our advertisers and the revenue per advertiser, as defined below, as these metrics provide further details related to our reported revenue and contribute to certain of our business planning decisions.

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For our subscription and licensing businesses, the number of subscribers that we serve is an indicator of our customer retention and growth. The average monthly revenue per subscriber and the churn rate also contribute to insights that contribute to certain of our business planning decisions.

The following table sets forth certain key operating metrics for our Digital Media advertising business for the three months ended June 30, 2023 September 30, 2023 and 2022:

	Three months ended June 30,				Three months ended September 30,			
	2023		2022		2023		2022	

Net advertising revenue retention	Net advertising revenue retention				Net advertising revenue retention		
(1)	(1)	89.8	%	99.6	% (1)	88.9%	94.1%
Advertisers (2)	Advertisers (2)	1,924		2,016	Advertisers (2)	1,785	1,953
Quarterly revenue per advertiser (3)	Quarterly revenue per advertiser (3)	\$ 91,000	\$	\$ 93,848	Quarterly revenue per advertiser (3)	\$ 102,525	\$ 95,710

(1) Net advertising revenue retention equals (i) the trailing twelve months revenue recognized related to prior year advertisers in the current year period (excluding revenue from acquisitions during the stub period) divided by (ii) the trailing twelve months revenue recognized related to prior year advertisers in the prior year period (excluding revenue from acquisitions during the stub period). This excludes advertisers that generated less than \$10,000 of revenue in the measurement period.

(2) Excludes advertisers that spent less than \$2,500 in the quarter within certain divisions.

(3) Represents total gross quarterly advertising revenues divided by advertisers as defined in footnote (2).

The following table sets forth certain key operating metrics for our Digital Media and Cybersecurity and Martech subscription and licensing businesses for the three months ended **June 30, 2023** September 30, 2023 and 2022:

	Subscribers (in thousands) (1)	Three months ended June 30,		Three months ended September 30,	
		2023	2022(4)	2023	2022(4)
Subscribers (in thousands) (1)	Subscribers (in thousands) (1)	3,175	2,475	Subscribers (in thousands) (1)	3,231
Average quarterly revenue per subscriber (2)	Average quarterly revenue per subscriber (2)	\$44.51	\$55.69	Average quarterly revenue per subscriber (2)	\$44.84
Churn rate (3)	Churn rate (3)	3.51%	3.12%	Churn rate (3)	3.22%

(1) Represents the quarterly average of the end of month subscriber counts for both the Digital Media and Cybersecurity and Martech businesses. Cybersecurity and Martech subscribers are defined as a direct customer, including customers who have paused but not cancelled their subscription. If the company provides services through a reseller or a partner and the Company does not have visibility into the number of underlying subscribers, the reseller or partner is counted as one subscriber.

(2) Represents quarterly subscription revenues divided by subscribers in the table above.

(3) Churn rate is calculated as (i) the average revenue per subscription in the prior month multiplied by the number of cancellations in the current month, calculated at each business and aggregated; divided by (ii) subscription revenue in the current month, calculated at each business and aggregated. For Ookla, the churn rate calculation included in the consolidated churn rate calculation includes the sum of the monthly revenue from the specific cancelled agreements in the numerator.

(4) Key operating metrics in prior periods in the table above have been adjusted for our Cybersecurity and Martech business as a result of gaining greater transparency on a reseller relationship enabling us to identify the underlying subscribers. Further, additional adjustments have been made to subscribers in the Cybersecurity and Martech business to further conform to the Company's subscriber definition. The following table summarizes the adjustments made to previously reported amounts.

		Three months ended June 30, 2022	September 30, 2022
Subscribers (in thousands)		82.96	
Average quarterly revenue per subscriber		\$ (1.95) (1.42)	
Churn rate		0.20 0.16 %	

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## Critical Accounting Policies and Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements. Actual results could differ significantly from those estimates under different assumptions and conditions. Our critical accounting policies are described in our 2022 Annual Report on Form 10-K filed with the SEC on March 1, 2023. During the three and **six** nine months ended **June 30, 2023** September 30, 2023, there were no significant changes in our critical accounting policies and estimates. See Note 1 - *Basis of Presentation and Overview* to the Notes to Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q for additional description of significant accounting policies of the Company.

See Note 6 - *Goodwill and Intangible Assets* to the Notes to Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q for discussion of an impairment of goodwill of approximately \$56.9 million during the three and nine months ended September 30, 2023.

-32- Following the impairment during the three and nine months ended September 30, 2023, the reporting unit had goodwill of approximately \$79.2 million and there is no excess of reporting unit fair value over the carrying amount, so any further decrease in estimated fair value would result in an additional impairment charge to goodwill. Changes in market conditions, and key assumptions made in future quantitative assessments, including expected cash flows, competitive factors and discount rates, could negatively impact the results of future impairment testing and could result in the recognition of an impairment charge.

## Results of Operations for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023

### Digital Media

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, and we continue to expand our advertising platforms. The main focus of our platform monetization programs is to provide relevant and useful advertising to visitors to our websites, provide meaningful content that informs and shapes purchase intent, and leverage our brand and editorial assets into subscription platforms. 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, and improve the effectiveness of our content in driving purchase decisions and subscriptions.

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 generally had a positive impact on our operating 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 for a number of acquisitions will remain the same within this business, especially in light of the reasons, including current macroeconomic conditions. In 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 operating profit margins.

### Cybersecurity and Martech

The main focus of our Cybersecurity and Martech service 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 for a number of acquisitions will remain the same within this business, especially in light of the reasons, including current macroeconomic conditions. In 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 Cybersecurity and Martech's overall operating profit margins.

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### **Revenues**

(in thousands, except percentages)	Three months ended June 30,		Six months ended June 30,		(in thousands, except percentages)	Three months ended September 30,		Nine months ended September				
	2023	2022	Percentage Change	2023	2022	2023	2022	Percentage Change	2023	2022		
Revenues	Revenues	\$326,016	\$337,356	(3.4)%	\$633,158	\$652,424	(3.0)%	Revenues	\$340,985	\$341,873	(0.3)%	\$974,143

Our revenues consist of revenues from our Digital Media business and our Cybersecurity and Martech business. Digital Media revenues primarily consist of advertising revenues and 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. Cybersecurity and Martech revenues primarily consist of revenues from "fixed" customer subscription revenues and "variable" revenues generated from actual usage of our services.

Our revenues decreased during the three months ended June 30, 2023 September 30, 2023 compared to the 2022 period primarily due to a \$14.0 \$3.8 million decline in advertising revenue in our Digital Media business and a \$5.7 \$5.1 million subscription revenue decline in our Cybersecurity and Martech business, partially offset by a \$9.5 \$7.1 million increase in subscription revenue in the Digital Media business. Our revenues decreased during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period primarily due to a \$27.9 \$31.7 million decline in advertising revenue in our Digital Media business and a \$13.0 \$18.3 million decline in subscription revenue in our Cybersecurity and Martech business, partially offset by an increase of \$23.4 \$30.5 million in subscription revenue in the Digital Media business. Included in revenue during the three and six nine months ended June 30, 2023 September 30, 2023 was \$9.1 million \$0.2 million and \$21.1 million \$21.3 million, respectively, of incremental revenue contributed by businesses acquired during 2022.

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### **Cost of Revenues**

(in thousands, except percentages)	(in thousands, except percentages)	Three months ended June 30,			Six months ended June 30,			(in thousands, except percentages)	Three months ended September 30,			(in thousands, except percentages)
		2023	2022	Percentage Change	2023	2022	Percentage Change		2022	2023	Percentage Change	
Cost of revenue		\$47,421	\$46,004	3.1%	\$93,151	\$92,104	1.1%					

Cost of Revenue					Cost of Revenue							
As a percent of revenue	As a percent of revenue	14.5 %	13.6 %		14.7 %	14.1 %		As a percent of revenue	16.3 %	15.4 %		15.3 %

Cost of revenues is primarily comprised of costs associated with content fees, production costs, and hosting costs. The increase in cost of revenues for the three and six nine months ended June 30, 2023 September 30, 2023 compared to the respective 2022 period periods was primarily driven by due to higher advertising-related inventory costs in our Digital Media business, web hosting and royalty fees, partially offset by lower content campaign fulfillment and similar costs.

#### Sales and Marketing

(in thousands, except percentages)	(in thousands, except percentages)	Three months ended June 30,			Six months ended June 30,			(in thousands, except percentages)	Three months ended September 30,			(in thousands, except percentages)
		2023	2022	Percentage Change	2023	2022	Percentage Change		2022	2023	Percentage Change	
Sales and Marketing	Sales and Marketing	\$119,934	\$123,777	(3.1)%	\$235,854	\$241,539	(2.4)%	Sales and Marketing	\$125,062	\$119,474	4.7%	\$36,360
As a percent of revenue	As a percent of revenue	36.8 %	36.7 %		37.3 %	37.0 %		As a percent of revenue	36.7 %	34.9 %		

Our sales Sales and marketing costs consist primarily of internet-based advertising, sales and marketing 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. The decrease increase in sales and marketing costs during the three months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily due to a decrease an increase in personnel-related expenses lower expenses for outside services related to software development and lower higher revenue share costs. The decrease in sales and marketing expenses during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily due to a decrease in personnel-related lower expenses for outside services related to software development and lower software-related costs user acquisition expenses, partially offset by higher consulting and professional fees.

#### Research, Development, and Engineering

(in thousands, except percentages)	(in thousands, except percentages)	Three months ended June 30,			Six months ended June 30,			(in thousands, except percentages)	Three months ended September 30,			(in thousands, except percentages)
		2023	2022	Percentage Change	2023	2022	Percentage Change		2022	2023	Percentage Change	
Research, Development, and Engineering	Research, Development, and Engineering	\$17,817	\$19,721	(9.7)%	\$35,731	\$38,148	(6.3)%	Research, Development, and Engineering	\$17,597	\$17,735	(0.8)%	\$53,320
As a percent of revenue	As a percent of revenue	5.5 %	5.8 %		5.6 %	5.8 %		As a percent of revenue	5.2 %	5.2 %		

Our research,

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Research, development, and engineering costs consist primarily of personnel-related expenses. The decrease in research, development, and engineering costs for the three months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily due to lower engineering costs as more costs were capitalized in 2023 than in 2022, 2022, partially offset by higher personnel-related costs. The decrease in research, development, and engineering costs for the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily due to lower personnel-related expenses and lower engineering costs as more costs were capitalized in 2023 than in 2022, 2022, and lower expenses for outside services related to software development, partially offset by higher consulting and professional fees.

#### General and Administrative

(in thousands, except percentages)	(in thousands, except percentages)	Three months ended June 30,			Six months ended June 30,			(in thousands, except percentages)	Three months ended September 30,			(in thousands, except percentages)
		2023	2022	Percentage Change	2023	2022	Percentage Change		2022	2023	Percentage Change	
General and Administrative	General and Administrative	\$101,949	\$101,967	0.0%	\$203,212	\$204,184	(0.5)%	General and Administrative	\$99,269	\$95,658	3.8%	\$302,420

As a percent of revenue	As a percent of revenue	31.3%	30.2%	32.1 %	31.3 %	As a percent of revenue	29.1%	28.0%
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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 decrease in general and administrative expense for the three and nine months ended June 30, 2023, September 30, 2023 compared to the respective 2022 period periods was primarily due to lower depreciation and amortization expense, partially offset by an increase in personnel-related expenses. The decrease in general and administrative expense for the six months ended June 30, 2023 compared to the 2022 period was primarily due to lower depreciation and amortization expense and non-income tax expense, partially offset by an increase in higher personnel-related expenses costs.

#### 134. Goodwill Impairment on Business

Goodwill impairment on business was \$56.9 million for the three and nine months ended September 30, 2023, respectively, and \$27.4 million for the three and nine months ended September 30, 2022, respectively. The goodwill impairment during all periods was related to reporting units within the Digital Media reportable segment. Refer to Note 6 - **Goodwill and Intangible Assets** for further details.

#### Share-Based Compensation Expense

The following table presents the effects of share-based compensation expense in the Condensed Consolidated Statements of Operations during the periods presented (in thousands):

		Three months ended June 30,				Three months ended September 30,				Nine months ended September 30,			
		2023		2022		2023		2022		2023		2022	
		Cost of revenues	Sales and marketing	Research, development and engineering	General and administrative	Cost of revenues	Sales and marketing	Research, development and engineering	General and administrative	Cost of revenues	Sales and marketing	Research, development and engineering	General and administrative
Cost of revenues	Cost of revenues	\$ 94	\$ 142	\$ 170	\$ 226	\$ 76	\$ 63	\$ 246	\$ 289				
Sales and marketing	Sales and marketing	1,038	1,106	1,962	1,675	323	772	2,285	2,447				
Research, development and engineering	Research, development and engineering	958	852	1,741	1,481	840	567	2,581	2,048				
General and administrative	General and administrative	7,127	5,603	13,746	11,038	5,535	4,984	19,281	16,022				
Total share-based compensation expense	Total share-based compensation expense	\$ 9,217	\$ 7,703	\$ 17,619	\$ 14,420	\$ 6,774	\$ 6,386	\$ 24,393	\$ 20,806				

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#### Non-Operating Income and Expenses

The following table represents the components of non-operating income and expenses for the three and nine months ended June 30, 2023, September 30, 2023 and 2022 (in thousands):

		Three months ended June 30,				Six months ended June 30,				Three months ended September 30,				Nine months ended September 30,			
		2023		2022		2023		2022		2023		2022		2023		2022	
		Interest expense, net	Interest expense, net	\$ (10,483)	\$ (9,569)	9.6 %	\$ (14,963)	\$ (19,859)	(24.7) %	Interest expense, net	\$ (2,817)	\$ (8,560)	(67.1) %	\$ (17,780)	\$ (28,419)	Interest	Interest
Interest expense, net	Interest expense, net	—	—	\$ (2,613)	(100.0) %	—	—	1,393	(100.0) %	Interest	\$ (2,817)	\$ (8,560)	(67.1) %	\$ (17,780)	\$ (28,419)	Interest	Interest
Gain on debt extinguishment, net	Gain on debt extinguishment, net	—	—	2,613	(100.0) %	—	—	1,393	(100.0) %	Gain on debt extinguishment, net	—	—	—	—	—	—	—
Unrealized loss on short-term investments held at the reporting date, net	Unrealized loss on short-term investments held at the reporting date, net	(3,196)	(27,317)	(88.3) %	(23,541)	(18,366)	28.2 %	—	—	Unrealized loss on short-term investments held at the reporting date, net	—	10,112	(100.0) %	—	—	—	—
(Loss) gain on investments, net	(Loss) gain on investments, net	—	(48,243)	100.0 %	357	(48,243)	100.7 %	—	—	(Loss) gain on investments, net	—	—	—	—	—	—	—

Unrealized (loss) gain on short- term investments held at the reporting date, net	Unrealized (loss) gain on short- term investments held at the reporting date, net
Gain (loss) on investments, net	Gain (loss) on investments, net
Other (loss) income, net	Other (loss) income, net
Total non-operating expense	Total non-operating (expense) income

*Interest expense, net.* Interest expense is generated primarily from interest due on outstanding debt, partially offset by interest income generated from interest earned on cash, cash equivalents, and investments. Interest expense, net was \$10.5 million \$2.8 million and \$9.6 million \$8.6 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$15.0 million \$17.8 million and \$19.9 million \$28.4 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Interest expense, net increased decreased during the three months ended June 30, 2023 September 30, 2023, compared to the 2022 period primarily due to an additional non-recurring \$7.4 million of interest expense on the 1.75% Convertible Notes at a rate of 0.50% per annum, that accumulated through June 30, 2023. The increase was partially offset by higher interest income as a result of higher interest rates and a higher amount of cash and cash equivalents during the second third quarter of 2023 compared to the second quarter of 2022, prior year period and approximately \$1.2 million \$0.5 million less interest expense from the 4.625% Senior Notes related to a lower principal balance over the period as a portion of the notes was repurchased. Interest expense, net decreased during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period primarily due to higher interest income as a result of higher interest rates and a higher amount of cash and cash equivalents during the period and approximately \$2.9 million \$3.4 million less interest expense from the 4.625% Senior Notes related to a lower principal balance over the period as a portion of the notes were was repurchased, partially offset by the additional non-recurring \$7.4 \$7.7 million of interest expense on the 1.75% Convertible Notes at a rate of 0.50% per annum discussed above,annum. See Note 7 – Debt in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

*Gain on debt extinguishment, net.* Gain on debt extinguishment, net, was zero and \$2.6 million \$10.1 million during the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and zero and \$1.4 million \$11.5 million during the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The gain on debt extinguishment during the three and six nine months ended June 30, 2022 September 30, 2022 related primarily to the repurchases of the 4.625% Senior Notes.

*Unrealized loss (gain) on short-term investments held at the reporting date, net.* Unrealized loss on short-term investment held at the reporting date, net was \$3.2 million and \$27.3 million \$6.0 million during the three months ended June 30, 2023 and 2022, respectively, September 30, 2023, compared to unrealized gain of \$4.2 million during the three months ended September 30, 2022. Unrealized loss on short-term investment held at the reporting date, net was \$23.5 million \$29.6 million and \$18.4 million \$14.2 million during the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The unrealized loss (gain) recorded in all periods represents the change in fair value of our investment in Consensus Cloud Solutions, Inc. ("Consensus").

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*(Loss) gain Gain (loss) on investments, net.* (Loss) gain Gain (loss) on investments, net is generated from gains and losses and gains from investments in equity and debt securities. Loss Gain on investments, net was zero and \$48.2 million \$0.5 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Gain on investments, net was \$0.4 million for the six nine months ended June 30, 2023 September 30, 2023 and loss in investment, net was \$48.2 million \$47.8 million for the six nine months ended June 30, 2022 September 30, 2022. Our gain (loss) gain on investments, net during all periods was related to the disposition of Consensus common stock.

*Other (loss) income, net.* Other (loss) income, net is generated primarily from miscellaneous items and gains or losses on foreign currency. Other (loss) loss, net was \$3.6 million during the three months ended September 30, 2023, compared to other income, net was \$(1.5) million and \$6.3 of \$4.2 million for the three months ended June 30, 2023 and 2022, respectively, and \$(2.4) September 30, 2022. Other loss, net was \$6.0 million and \$8.7 during the nine months ended September 30, 2023, compared to other income, net of \$13.0 million for six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. 2022. The change decrease in all periods was primarily attributable to a reserve established on a receivable from a buyer of a previously disposed business and to changes in gains or losses on foreign currency.

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## 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.

Provision for income taxes amounted to income tax expense of \$6.5 million \$5.3 million and \$10.1 million \$18.1 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$5.8 million \$11.2 million and \$15.1 million \$33.2 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Our effective tax rate was 27.2% (20.7)% and (33.2)% 45.9% for the three months ended June 30, 2023, September 30, 2023 and 2022, respectively, and 23.7% (1,040.8)% and 12,760.8% 83.9% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

The increase in our Company's effective income tax rate for the three and nine months ended June 30, 2023 compared September 30, 2023 was disproportionately impacted by the goodwill impairment of \$56.9 million. No corresponding tax benefit was recorded on the impairment charge since it entirely related to excess financial statement goodwill with no tax basis.

During the three and nine months ended September 30, 2022, the Company's effective tax rate was impacted due to the 2022 period Company recording a deferred tax liability and corresponding tax expense of \$11.3 million related to its investment in Consensus since the Company did not dispose of the shares within the one-year anniversary of the Separation. The increase to tax expense was primarily attributable to partially offset by a tax benefit of \$6.7 million for recording a deferred tax asset on the following:

1. an increase in our effective income tax rate impairment of goodwill recorded during the three and nine months ended June 30, 2023 due to the larger unrealized loss on our investment in Consensus common stock during the three months ended June 30, 2022 that was not subject to tax since the Company had the ability at the time to dispose of the investment in a tax-free manner based on guidance and requirements set out by the Internal Revenue Service; and
2. an increase in our effective income tax rate during the three months ended June 30, 2023 due to a decrease in the portion of our income being taxed in foreign jurisdictions and subject to lower tax rates than in the U.S. September 30, 2022.

The decrease in our effective income tax rate for the six three and nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period periods was primarily attributable to the following:

1. a decrease in our effective income tax rate during 2023 due to the unrealized loss on our investment in Consensus common stock that resulted in a discrete goodwill impairment recognized for book purposes with no corresponding tax benefit of approximately \$5.8 million; recognized; and
2. a decrease in our effective income tax rate during 2023 due to tax expense of \$11.3 million recognized during the release of reserves three and nine months ended September 30, 2022 for uncertain recording a deferred tax positions liability related to our investment in Consensus common stock with no similar event item occurring during the six months ended June 30, 2022; 2023 periods; partially offset by
3. an increase in our effective income tax rate during 2023 due to a decrease in the portion of our income being taxed in foreign jurisdictions and subject to lower tax rates than in the U.S.

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**

**Loss** **Income (loss)** from equity method investment, net. Loss or gain from 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.

**Loss** **Income** from equity method investment was \$0.1 million, net was \$0.6 million and \$6.1 million of tax expense, for the three months ended September 30, 2023 compared to loss from equity method investment of \$3.2 million, net of tax benefit, for the three months ended June 30, 2023 September 30, 2022. Loss from equity method investment was \$9.7 million and 2022, respectively, and \$9.8 million and \$6.9 million \$10.1 million, net of tax benefit for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The decrease in loss from equity method investment, net during the three and nine months ended June 30, 2023 September 30, 2023 compared to the respective 2022 period was primarily due to less of a decline in the value of the underlying investments. The increase in loss from equity method investment, net during the six months ended June 30, 2023 compared to the respective 2022 period periods was primarily due to a decrease smaller decline in the value of the underlying investments.

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#### **Digital Media and Cybersecurity and Martech 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 reportable segments: (i) Digital Media and (ii) Cybersecurity and Martech.

We evaluate the performance of our segments based on revenues, including both external and inter-business net sales, and operating income. We account for inter-business 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 business' operations. Corporate assets consist of cash and cash equivalents, deferred income taxes, and certain other assets. All significant inter-business amounts are eliminated to arrive at our consolidated financial results.

#### **Digital Media**

The financial results are presented as follows (in thousands):

		Three months ended June 30,				Six months ended June 30,				Three months ended September 30,	
		2023		2022		2023		2022		2023	
External revenue	External revenue	\$ 252,820	\$ 258,343	\$ 486,946	\$ 493,038	\$ 252,870	\$ 258,700	\$ 487,081	\$ 493,527	\$ 252,870	\$ 258,700
Inter-business revenue	Inter-business revenue	50	357	135	489						
Total revenue	Total revenue										
Operating costs and expenses	Operating costs and expenses	216,154	214,077	421,896	416,784						
Operating income	Operating income	\$ 36,716	\$ 44,623	\$ 65,185	\$ 76,743						
Operating (loss) income	Operating (loss) income										

Digital Media's net revenue of \$252.8 million \$267.9 million for the three months ended June 30, 2023 decreased \$5.5 million September 30, 2023 increased \$4.3 million, or 2.1% 1.6%, compared to the 2022 period primarily due to an increase in organic revenue decline in certain businesses, offset by \$9.1 million as well as \$0.2 million of incremental revenue during the three months ended June 30, 2023 September 30, 2023 contributed by businesses acquired in 2022. Digital Media's net sales revenue of \$486.9 million \$754.9 million for the six nine months ended June 30, 2023 September 30, 2023 decreased \$6.1 million \$1.8 million, or 1.2% 0.2%, compared to the 2022 period primarily due to an organic decline in certain businesses, offset by \$21.1 million \$21.3 million of incremental revenue during the six nine months ended June 30, 2023 September 30, 2023, contributed by business acquired in 2022. The Company considers revenue from an acquired business to become organic revenue in the first month in which the Company can compare that full month in the current year against the corresponding full month under its ownership in the prior year.

Digital Media's operating costs and expenses of \$216.2 million \$280.9 million for the three months ended June 30, 2023 September 30, 2023 increased \$2.1 million \$44.3 million, or 1.0% 18.7%, compared to the 2022 period primarily due to a \$56.9 million goodwill impairment recognized during the three months ended September 30, 2023 compared to \$27.4 million recognized during the three months ended September 30, 2022, and higher advertising costs, sales and marketing expenses. Digital Media's operating costs and expenses of \$421.9 million \$702.8 million for the six nine months ended June 30, 2023 September 30, 2023 increased \$5.1 million \$49.4 million, or 1.2% 7.6%, compared to the 2022 period primarily due to an increase of \$29.5 million in goodwill impairment recognized during the nine months ended September 30, 2023 compared to the 2022 period and higher advertising costs general and personnel-related administrative expenses and sales and marketing expenses.

As a result of these factors, Digital Media's operating income loss of \$36.7 million \$12.9 million for the three months ended June 30, 2023 decreased \$7.9 million September 30, 2023 increased by \$40.2 million, or 17.7% 147.2%, compared to the operating income in the 2022 period. Digital Media's operating income of \$65.2 million \$52.3 million for the six nine months ended June 30, 2023 September 30, 2023 decreased \$11.6 million \$51.8 million, or (15.1)% 49.8%, compared to the 2022 period.

#### Cybersecurity and Martech

The financial results are presented as follows (in thousands):

		Three months ended June 30,				Three months ended September 30,				Nine months ended September 30,			
		2023		2022		2023		2022		2023		2022	
		External revenue	Inter-business revenue	External revenue	Inter-business revenue	External revenue	Inter-business revenue	External revenue	Inter-business revenue	External revenue	Inter-business revenue	External revenue	Inter-business revenue
External revenue	External revenue	\$ 73,196	\$ 79,013	\$ 146,212	\$ 159,386	\$ 73,051	\$ 78,190	\$ 219,263	\$ 237,576				
Inter-business revenue	Inter-business revenue	—	(103)	—	18	—	2	—	—	—	—	—	20
Total revenue	Total revenue	73,196	78,910	146,212	159,404	73,051	78,192	219,263	237,596				
Operating costs and expenses	Operating costs and expenses	59,679	66,333	121,092	134,499	60,541	64,362	181,633	198,861				
Operating income	Operating income	\$ 13,517	\$ 12,577	\$ 25,120	\$ 24,905	\$ 12,510	\$ 13,830	\$ 37,630	\$ 38,735				

Cybersecurity and Martech's net revenue of \$73.2 million \$73.1 million for the three months ended June 30, 2023 September 30, 2023 decreased \$5.8 million \$5.1 million, or 7.4%, compared to the 2022 period primarily due to the organic decline in certain businesses during the period. Cybersecurity and Martech's net sales of \$146.2 million for the six months ended June 30, 2023 decreased \$13.2 million, or (8.3)% 6.6%, compared to the 2022 period primarily due to the organic decline in certain businesses during the period.

Cybersecurity and Martech's net revenue of \$219.3 million for the nine months ended September 30, 2023 decreased \$18.3 million, or 7.7%, compared to the 2022 period primarily due to the organic decline in certain businesses during the period.

Cybersecurity and Martech's operating costs and expenses of \$59.7 million \$60.5 million for the three months ended June 30, 2023 September 30, 2023 decreased \$6.7 million \$3.8 million, or 10.0% 5.9%, compared to the 2022 period primarily due to lower sales and marketing expenses and lower general and administrative expenses, including lower depreciation and amortization expense. Cybersecurity and Martech's operating costs and expenses of \$121.1 million \$181.6 million for the six nine months ended June 30, 2023 September 30, 2023 decreased \$13.4 million \$17.2 million, or (10.0)% 8.7% compared to the 2022 period primarily due to lower sales and marketing expenses and lower general and administrative expenses, including lower depreciation and amortization expense.

As a result of these factors, Cybersecurity and Martech's operating income of \$13.5 million \$12.5 million for the three months ended June 30, 2023 increased \$0.9 million September 30, 2023 decreased \$1.3 million, or 7.5% 9.5%, from the 2022 period. Cybersecurity and Martech's operating income of \$25.1 million \$37.6 million for the six nine months ended June 30, 2023 increased \$0.2 million September 30, 2023 decreased \$1.1 million, or 0.9% 2.9%.

## Liquidity and Capital Resources

### Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments consisted of (in thousands):

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Cash and cash equivalents	Cash and cash equivalents	\$ 679,090	\$ 652,793	Cash and cash equivalents	\$ 660,624	\$ 652,793
Short-term investments	Short-term investments	35,816	58,421	Short-term investments	29,797	58,421
Long-term investments	Long-term investments	114,356	127,871	Long-term investments	140,167	127,871
		<u>\$ 829,262</u>	<u>\$ 839,085</u>		<u>\$ 830,588</u>	<u>\$ 839,085</u>

Cash, cash equivalents, and investments held within domestic and foreign jurisdictions were as follows (in thousands):

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Cash, cash equivalents, and investments held in domestic jurisdiction	Cash, cash equivalents, and investments held in domestic jurisdiction	\$ 653,271	\$ 671,587	Cash, cash equivalents, and investments held in domestic jurisdiction	\$ 674,815	\$ 671,587
Cash, cash equivalents, and investments held in foreign jurisdiction	Cash, cash equivalents, and investments held in foreign jurisdiction	175,991	167,498	Cash, cash equivalents, and investments held in foreign jurisdiction	155,773	167,498
Cash, cash equivalents, and investments	Cash, cash equivalents, and investments	<u>\$ 829,262</u>	<u>\$ 839,085</u>		<u>\$ 830,588</u>	<u>\$ 839,085</u>

For information on short-term and long-term investments of the Company, refer to Note 4 - Investments to the Notes to Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q.

### Financings

As of June 30, 2023 September 30, 2023 and December 31, 2022, there were no amounts drawn under the Credit Agreement.

During the six nine months ended June 30, 2022 September 30, 2022, the Company repurchased approximately \$76.1 \$181.2 million in aggregate principal amount of the 4.625% Senior Notes for an aggregate purchase price of approximately \$73.6 \$167.7 million. No repurchases of 4.625% Senior Notes were effectuated during the six nine months ended June 30, 2023 September 30, 2023.

### Material Cash Requirements

Ziff Davis' long-term contractual obligations generally include its long-term debt, interest on long-term debt, cloud computing commitments, lease payments on its property and equipment, and holdback amounts in connection with certain business acquisitions. As of June 30, 2023 September 30, 2023, we and our subsidiaries had outstanding \$1.0 billion in aggregate principal amount of indebtedness. As of June 30, 2023 September 30, 2023, our cloud computing commitments are approximately \$54.3 million, and our total future minimum lease payments are \$49.6 \$41.1 million, of which approximately \$21.9 \$20.0 million future minimum lease payments are due in the succeeding twelve months. There were no material changes to our cash requirements during the three months ended June 30, 2023 September 30, 2023.

We currently anticipate that our existing cash and cash equivalents, cash generated from operations, and availability under our revolving credit facility, will be sufficient to meet our anticipated needs for working capital, capital expenditures, and stock repurchases, if any, 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. The following table provides a summary of cash flows from operating, investing, and financing activities (in thousands):

	Six months ended June 30,			Change	Nine months ended September 30,			Change
	2023	2022			2023	2022		
Net cash provided by operating activities	Net cash provided by operating activities	\$ 155,035	\$ 192,484	\$ (37,449)	Net cash provided by operating activities	\$ 227,843	\$ 293,219	\$ (65,376)
Net cash used in investing activities	Net cash used in investing activities	\$ (65,321)	\$ (161,301)	\$ 95,980	Net cash used in investing activities	\$ (104,738)	\$ (199,861)	\$ 95,123
Net cash used in financing activities	Net cash used in financing activities	\$ (64,612)	\$ (61,679)	\$ (2,933)	Net cash used in financing activities	\$ (116,810)	\$ (141,829)	\$ 25,019

### Operating Activities

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, interest payments associated with our debt, and taxes. The \$37.4 million \$65.4 million decrease in net cash provided by operating activities during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily related to a net decrease in collections from our customers due to timing, lower earnings before non-cash adjustments, and an increase in prepaid expenses, partially offset by the effect of timing of income tax payments to our vendors during the current period.

### Investing Activities

The \$96.0 million \$95.1 million decrease in net cash used in investing activities during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily related to lower cash used on business acquisitions during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period and our investment in available-for-sale securities during the six nine months ended June 30, 2022 September 30, 2022, which did not recur in 2023 period, partially offset by current period investment in equity securities without readily determinable fair value.

### Financing Activities

The \$2.9 million increase \$25.0 million decrease in net cash used in financing activities during the six nine months ended June 30, 2023 September 30, 2023 compared to the 2022 period was primarily related to the absence of term loan proceeds during the 2023 period, partially offset by 1) the absence of repurchases of our 4.625% Senior Notes, which occurred during the six nine months ended June 30, 2022, and 2) lower September 30, 2022; partially offset by 1) higher cash used on share repurchases during the 2023 period compared to the 2022 period, and 2) the absence of term loan proceeds during the 2023 period.

## Stock Repurchase Program

On August 6, 2020, our 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 connection with the authorization, the Company entered into certain Rule 10b5-1 trading plans with a broker-dealer to facilitate the repurchase program.

A summary of share repurchases under the 2020 Program during the six nine months ended June 30, 2023 September 30, 2023 is as follows (in thousands, except share amounts):

Total number of shares repurchased	Total number of shares repurchased	Aggregate purchase price <sup>(1)</sup>	Shares remaining under repurchase authorization as of June 30, 2023	Total number of shares repurchased	Aggregate purchase price <sup>(1)</sup>	Shares remaining under repurchase authorization as of September 30, 2023
980,418		\$63,900	5,346,736			
1,585,846				1,585,846	\$104,919	4,741,308

(1) Includes the impact of excise taxes.

Cumulatively at June 30, 2023 September 30, 2023, 4,653,264 5,258,692 shares were repurchased, under the 2020 Program, at an aggregate cost of \$360.8 million \$401.8 million (including excise tax). These shares were subsequently retired.

### Item 3. 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 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. Ziff Davis undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document and in the other documents incorporated by reference herein, including our Annual Report on Form 10-K for the year ended December 31, 2022 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 2023.

#### Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and borrowings under our Credit Facility that bear variable market interest rates. 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 **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, we had **\$679.1 million** **\$660.6 million** and **\$652.8 million**, respectively, of cash and cash equivalent investments primarily in funds that invest in U.S. treasuries, money market funds, as well as, demand deposit accounts with maturities of 90 days or less. 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.

#### Market Risk

Our investment in Consensus common stock, which has a carrying value of approximately **\$32.1 million** **\$26.0 million** as of **June 30, 2023** **September 30, 2023**, is based upon the quoted market price of Consensus common stock. Our results of operations and financial condition have been and may be materially impacted by increases or decreases in the price of Consensus common stock, which is traded on the Nasdaq Global Select Market.

(Losses) gains on the investment in Consensus common stock were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,		Three months ended September 30,		Nine months ended September 30,		
	2023	2022	2023	2022	2023	2022	2023	2022	
Realized (losses) gains on securities sold during the period	\$ —	\$ (48,243)	\$ 357	\$ (48,243)	\$ —	\$ 471	\$ 357	\$ (47,772)	
Unrealized loss recognized during the period on equity securities held at the reporting date	\$ (3,196)	\$ (27,317)	\$ (23,541)	\$ (18,366)	Unrealized (loss) gain recognized during the period on equity securities held at the reporting date	\$ (6,019)	\$ 4,201	\$ (29,560)	\$ (14,165)

The carrying value of the investment in Consensus common stock as of **June 30, 2023** **September 30, 2023** was **\$32.1 million** **\$26.0 million**, or approximately **0.9%** **0.8%** of the Company's consolidated total assets. A \$2.00 increase or decrease in the share price of Consensus common stock would result in an unrealized gain or loss, respectively, of approximately \$2.1 million.

## Foreign Currency Risk

We conduct business in certain foreign markets, primarily in Canada, the United Kingdom, Australia, the European Union, Japan, New Zealand, and Norway. 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 Canadian Dollar, British Pound Sterling, the Australian Dollar, Euro, Japanese Yen, the New Zealand Dollar, and the Norwegian Kroner. If we are unable to settle our inter-company 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.

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.

During the three months ended **June 30, 2023** **September 30, 2023** and 2022, foreign exchange gains amounted to \$1.1 million and \$3.4 million, respectively. During the nine months ended **September 30, 2023** and 2022, foreign exchange (losses) gains amounted to \$(1.0) \$(0.8) million and \$6.6 million, respectively. During the six months ended **June 30, 2023** and 2022, foreign exchange (losses) gains amounted to \$(1.9) million and \$8.8 \$12.3 million, respectively.

Cumulative translation adjustments, net of tax, included in other comprehensive (loss) income loss for the three months ended **June 30, 2023** **September 30, 2023** and 2022 were \$(2.5) \$6.8 million and \$(24.3) \$24.8 million, respectively, and for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, were \$(6.2) \$0.7 million and \$(30.5) \$55.3 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 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (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 **June 30, 2023** **September 30, 2023**, under the supervision and with the participation of Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

### Management's Report on Internal Control over Financial Reporting

During the quarter ended March 31, 2023, we migrated our Digital Media reportable segment onto the Company's existing Enterprise Resource Planning ("ERP") system. Consequently, certain business process controls have been modified to incorporate the controls contained within the ERP system. We do not believe this implementation has had or will have a material adverse effect on our 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 Exchange Act), which occurred during the quarter ended **June 30, 2023** **September 30, 2023** covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See discussion of legal proceedings in Note 8 – *Commitments and Contingencies* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

### Item 1A. Risk Factors

There has not been material change in our risk factors since filing of our Annual Report on Form 10-K for the year ended December 31, 2022, except for the risk factor set forth below.

#### ***The collapse of certain banks and potentially other financial institutions may adversely impact us.***

On March 10, 2023, Silicon Valley Bank ("SVB") was shut down, followed on March 12, 2023, by Signature Bank, and on May 1, 2023, by First Republic Bank. The Federal Deposit Insurance Corporation was appointed as receiver for these banks. Since that time, there have been reports of instability at other banks across the globe. Despite the steps taken to date by U.S. agencies to protect depositors, the follow-on effects of the events surrounding the SVB, Signature Bank, and First Republic Bank failures, and pressures on other banks, are unknown, could include failures of other financial institutions to which we face direct exposure, and may lead to significant disruptions to our operations, financial

position, and reputation. The extent of such impacts is uncertain, and there may be additional risks that we have not yet identified. We are taking steps to identify any potential impact and minimize any disruptions to our operations. However, we cannot guarantee that we will be able to avoid negative consequences directly or indirectly from the foregoing events or other impacts on financial institutions.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Unregistered Sales of Equity Securities

None. On July 31, 2023, the Company entered into an agreement to purchase \$25.0 million of equity of Xyla, Inc. ("Xyla") for a minority ownership stake. This minority investment was made in the form of cash and 186,102 shares of the Company's common stock. The shares of the Company's common stock issued as part of this transaction were issued pursuant to exemption from registration contained in section 4(a)(2) of the Securities Act of 1933.

### Issuer Purchases of Equity Securities

On August 6, 2020, the Board approved a program authorizing the repurchase of up to ten million shares of our common stock through August 6, 2025 (the "2020 Program"). In connection with the authorization, the Company entered into certain Rule 10b5-1 trading plans with a broker-dealer to facilitate the repurchase program. During the three months **June 30, 2023** **September 30, 2023**, **980,418** **605,428** shares were repurchased under the 2020 Program.

Cumulatively, as of **June 30, 2023** **September 30, 2023**, the Company repurchased **4,653,264** **5,258,692** shares, under the 2020 Program, at an aggregate cost of **\$360.8** **million** **\$401.8** million (including excise tax), which were subsequently retired. See Note 10 - *Stockholders' Equity* in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

As a result of the Company's share repurchases, as of **June 30, 2023** **September 30, 2023**, the number of shares of the Company's common stock available for purchase under the 2020 Program was **5,346,736** **4,741,308** shares.

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The following table details the repurchases that were made under and outside the 2020 Program, on a trade date basis, during the three months ended **June 30, 2023** **September 30, 2023**:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program <sup>(3)</sup>
April 1, 2023 - April 30, 2023	534	\$ 67.73	—	6,327,154
May 1, 2023 - May 31, 2023	375,221	\$ 62.00	370,532	5,956,622
June 1, 2023 - June 30, 2023	609,886	\$ 66.11	609,886	5,346,736
<b>Total</b>	<b>985,641</b>		<b>980,418</b>	<b>5,346,736</b>

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program <sup>(3)</sup>
July 1, 2023 - July 31, 2023	105,428	\$ 70.59	105,428	5,241,308
August 1, 2023 - August 31, 2023	95,948	\$ 67.41	93,674	5,147,634
September 1, 2023 - September 30, 2023	413,531	\$ 67.25	406,326	4,741,308
<b>Total</b>	<b>614,907</b>		<b>605,428</b>	<b>4,741,308</b>

(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.

(2) Excludes the impact of excise taxes.

(3) As of the last day of the applicable month.

## Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not Applicable.

#### Item 5. Other Information

##### *Insider Trading Arrangements and Policies*

During the three months ended **June 30, 2023** **September 30, 2023**, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. Certain of our officers have made elections to participate in, and are participating in, our employee stock purchase plan and 401(k) plan and have made, and may from time to time make, elections to have shares withheld to cover withholding taxes or pay the exercise price of options, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K).

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#### Item 6. Exhibits

Exhibit No.	Description
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of June 10, 2014 (incorporated by reference to Exhibit 3.1 to Ziff Davis' Current Report on Form 8-K filed on June 10, 2014, (File No. 0-25965))</a>
<a href="#">3.2</a>	<a href="#">Amendment to the Amended and Restated Certificate of Incorporation of J2 Global, Inc., dated as of September 5, 2019 (incorporated by reference to Exhibit 3.1 to Ziff Davis' Current Report on Form 8-K filed with the Commission on November 1, 2019 (File 0-25965))</a>
<a href="#">3.3</a>	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of Ziff Davis, Inc. dated as of October 7, 2021 (incorporated by reference to Exhibit 3.1 to Ziff Davis' Current Report on Form 8-K filed on October 8, 2021, (File No. 0-25965))</a>
<a href="#">3.4</a>	<a href="#">Sixth Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Ziff Davis' Current Report on Form 8-K filed on May 10, 2023 (File No. 0-25965))</a>
<a href="#">31.1</a>	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of Principal Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</a>
<a href="#">32.2</a>	<a href="#">Certification of Principal Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* This instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

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#### SIGNATURES

Pursuant to the requirements 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.

**ZIFF DAVIS, INC.**

(registrant)

Date: **August 4, November 9, 2023**

By: /s/ VIVEK SHAH

Vivek Shah

Chief Executive Officer and a Director

(Principal Executive Officer)

Date: **August 4, November 9, 2023**

By: /s/ BRET RICHTER

Bret Richter

Chief Financial Officer

(Principal Financial Officer)

Date: **August 4, November 9, 2023**

By: /s/ LAYTH TAKI

Layth Taki

Chief Accounting Officer

(Principal Accounting Officer)

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**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 quarterly report on Form 10-Q of Ziff Davis, 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: August 4, November 9, 2023

Chief Executive Officer and a Director  
(Principal Executive Officer)

**EXHIBIT 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bret Richter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ziff Davis, 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/ BRET RICHTER

Bret Richter

Dated: August 4, November 9, 2023

Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Vivek Shah, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:**

1. The accompanying quarterly report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and 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 Ziff Davis, Inc.

/s/ VIVEK SHAH

\_\_\_\_\_  
Vivek Shah

Dated: **August 4, November 9, 2023**

Chief Executive Officer and a Director  
(Principal Executive Officer)

*A signed original of this certification required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**I, Bret Richter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:**

1. The accompanying quarterly report on Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023** (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and 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 Ziff Davis, Inc.

/s/ BRET RICHTER

\_\_\_\_\_  
Bret Richter

Dated: **August 4, November 9, 2023**

Chief Financial Officer  
(Principal Financial Officer)

*A signed original of this certification required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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