

Neustar Reports Results for Fourth Quarter and Full-Year 2011

Feb 2, 2012

STERLING, Va., Feb. 2, 2012 — Neustar, Inc. (NYSE: NSR), a trusted, neutral provider of real-

time information and analysis to the Internet, telecommunications, entertainment, advertising

and marketing industries, today announced results for the quarter and year ended December

31, 2011 and provided guidance for 2012.

Summary of Consolidated Fourth Quarter Results Compared to Fourth Quarter of

2010

- Revenue increased 27% to \$174.2 million

- Income from continuing operations totaled \$18.7 million, or \$0.26 per diluted share

- Adjusted net income from continuing operations increased 7% to \$37.0 million,

representing a margin of 21%

- Adjusted net income from continuing operations per diluted share increased 11% to

\$0.51

Summary of Consolidated 2011 Results Compared to 2010

- Revenue increased 19% to \$620.5 million

- Income from continuing operations totaled \$123.6 million, or \$1.66 per diluted share

- Adjusted net income from continuing operations increased 16% to \$159.0 million,

representing a margin of 26%

- Adjusted net income from continuing operations per diluted share increased 18% to

\$2.13

- Share repurchases totaled \$324.3 million or 10.1 million shares

“Neustar made significant progress across the board in 2011, from our financial performance to

implementing our strategies through both organic and inorganic successes,” said Lisa Hook,

Neustar’s president and chief executive officer. “We continued to deliver strong revenue

growth, margins and cash flow, while increasing our scale and strengthening our position as a

neutral and trusted provider of services to an expanding number of customers and industries.

Our actions in 2011 have enhanced our ability to generate profitability and shareholder value.”

Paul Lalljie, Neustar's chief financial officer added, "Neustar's acquisition of TARGUSinfo was the

culmination of a successful year in which we delivered double-digit revenue growth with strong

margins. We improved our capital structure by securing \$600 million of low-cost debt and

repurchasing 10.1 million shares of our common stock. Our 2012 guidance reflects our strong

momentum and the ongoing integration of TARGUSinfo as we leverage our platforms to achieve

long-term revenue growth.”

Business Outlook for 2012

- Revenue to range from \$810 million to \$830 million

- Adjusted net income from continuing operations to range from \$178 million to \$190

million

- Adjusted net income from continuing operations per diluted share to range from \$2.66 to

\$2.84

Discussion of Fourth Quarter and Full-Year 2011 Results

Fourth Quarter Revenue

Consolidated revenue totaled \$174.2 million, a 27% increase from \$136.9 million in the fourth

quarter of 2010. This increase consisted of growth in Carrier Services and Enterprise Services

and the addition of revenue from the Company's Information Services business segment.

- Carrier Services revenue totaled \$113.3 million, a 14% increase from \$99.7 million in

2010. This increase was primarily due to a \$10.9 million increase in revenue under the

Company's contracts to provide NPAC Services. Additionally, Order Management

Services revenue increased \$3.5 million due to greater customer usage and the addition

of licensed order management services;

- Enterprise Services revenue totaled \$39.7 million, a 7% increase from \$37.1 million in

2010. Registry Services increased \$1.4 million due to the number of common short

codes under management, and Internet Infrastructure Services revenue increased \$1.2

million due to the expansion of DNS solutions, including IP geolocation services; and

- Information Services generated revenue of \$21.2 million from the date of acquisition

through the end of the year.

Full-Year Revenue

Consolidated revenue totaled \$620.5 million, a 19% increase from \$520.9 million in 2010. This

increase consisted of growth in Carrier Services and Enterprise Services and the addition of

revenue from the Company's Information Services business segment.

- Carrier Services revenue totaled \$447.9 million, a 14% increase from \$391.8 million in

2010. This increase was primarily due to a \$43.5 million increase in revenue under the

Company's contracts to provide NPAC Services. Additionally, Order Management

Services revenue increased \$16.0 million due to greater customer usage and the addition

of licensed order management services. These increases were partially offset by a

decrease in revenue from customer requests for functionality improvements;

- Enterprise Services revenue totaled \$151.4 million, a 17% increase from \$129.1 million in

2010. Internet Infrastructure Services increased \$13.9 million due to the expansion of

DNS solutions, including IP geolocation services. Registry Services increased \$8.4 million

due to the number of common short codes under management; and

- Information Services generated revenues of \$21.2 million from the date of acquisition

through the end of the year.

Operating expense for the fourth quarter totaled \$134.8 million, a 59% increase from \$84.7

million in 2010.

This increase in operating expense was primarily driven by the impact of the Company's two

acquisitions completed in 2011. In particular, total personnel and personnel-related expense

increased \$26.9 million due primarily to a \$5.0 million increase in stock-based compensation

and additional costs associated with an increased number of employees resulting from

acquisitions completed in 2011. Total contractor and professional fees increased \$13.9 million,

primarily due to acquisition-related costs and expenses associated with the Company's tender

offer. In addition, depreciation and amortization increased \$8.2 million related to capital asset

additions to support the Company's expanded service offerings and acquired intangible assets.

Operating expense for 2011 totaled \$411.4 million, a 31% increase from \$315.1 million in

2010. This increase in operating expense was driven by the impact of the Company's two

acquisitions completed in 2011. In particular, total personnel and personnel-related expense

increased \$49.4 million due in part to a \$10.4 million increase in stock-based compensation and

increased costs associated with the addition of nearly 500 employees resulting from

acquisitions completed in 2011. Total contractor and professional fees increased \$22.5 million,

primarily due to an increase in acquisition-related costs and expenses associated with the

Company's tender offer. In addition, depreciation and amortization increased \$13.3 million

related to capital asset additions to support the Company's expanded service offerings and

acquired intangible assets.

Cash, cash equivalents and investments totaled \$135.3 million as of December 31, 2011, a

decrease of \$247.1 million from \$382.4 million as of December 31, 2010. This decrease was

primarily due to the acquisitions of TARGUSinfo and certain numbering solutions assets from

Evolving Systems. In addition, the Company repurchased 10.1 million shares for a total of

\$324.3 million. These uses of cash were partially offset by proceeds from the Company's \$600

million senior secured term loan and cash generated from operations.

Conference Call

As announced on January 13, 2012, Neustar will conduct an investor conference call to discuss

the Company's results today at 4:30 p.m. (Eastern Time). Prior to the call, investors may

access the conference call over the Internet via the Investor Relations tab of the Company's

website (www.neustar.biz). Those listening via the Internet should go to the website 15

minutes early to register, download and install any necessary audio software.

The conference call is also accessible via telephone by dialing

(800) 798-2796

(international callers dial (617) 614-6204) and entering PIN 70950646. For those who

cannot listen to the live broadcast, a replay will be available through 11:59 p.m. (Eastern Time)

Thursday, February 9, 2012 by dialing [REDACTED] (888) 286-8010 (international callers dial [REDACTED] (617)

[REDACTED] 801-6888) and entering replay PIN 44985569, or by going to the Investor Relations tab of the

Company's website (www.neustar.biz).

Neustar will take live questions from securities analysts and institutional portfolio managers;

the complete call is open to all other interested parties on a listen-only basis.

This press release, the financial tables and other supplemental information, including a

reconciliation of segment contribution to the nearest comparable GAAP measure and

reconciliations of certain other non-GAAP measures to their nearest comparable GAAP measures

that may be used periodically by management when discussing the Company's financial results

with investors and analysts, are available on the Company's website under the Investor

Relations tab.

About Neustar, Inc.

Neustar, Inc. (NYSE: NSR) is a trusted, neutral provider of real-time information and analysis to

the Internet, telecommunications, entertainment, advertising and marketing industries

throughout the world. Neustar applies its advanced, secure technologies in routing, addressing

and authentication to its customers' data to help them identify new revenue opportunities,

network efficiencies, cyber security and fraud protection measures. More information is

available at www.neustar.biz.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release includes information that constitutes forward-looking statements made

pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995,

including, without limitation, statements about the Company's expectations, beliefs and

business results in the future, such as guidance regarding its 2012 results. The Company has

attempted, whenever possible, to identify these forward-looking statements using words such

as “may,” “will,” “should,” “projects,” “estimates,” “expects,” “plans,” “intends,” “anticipates,”

“believes” and variations of these words and similar expressions. Similarly, statements herein

that describe the Company's business strategy, prospects, opportunities, outlooks, objectives,

plans, intentions or goals are also forward-looking statements. The Company cannot assure you

that its expectations will be achieved or that any deviations will not be material. Forward-

looking statements are subject to many assumptions, risks and uncertainties that may cause

future results to differ materially from those anticipated. These potential risks and uncertainties

include, among others, the risks and uncertainties arising from the difficulties with the

integration process or the realization of the benefits of the TARGUSinfo acquisition; general

economic conditions in the regions and industries in which the Company operates; the

uncertainty of future revenue and profitability and potential fluctuations in quarterly operating

results due to such factors as disruptions to the Company's operations, modifications to or

terminations of its material contracts, its ability to successfully identify and complete

acquisitions, integrate and support the operations of businesses the Company acquires,

increasing competition, market acceptance of its existing services, its ability to successfully

develop and market new services, the uncertainty of whether new services will achieve market

acceptance or result in any revenue, and business, regulatory and statutory changes in the

communications industry. More information about potential factors that could affect the

Company's business and financial results is included in its filings with the Securities and

Exchange Commission, including, without limitation, the Company's most recent Annual Report

on Form 10-K and subsequent periodic and current reports. All forward-looking statements are

based on information available to the Company on the date of this press release, and the

Company undertakes no obligation to update any of the forward-looking statements after the

date of this press release.

NEUSTAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

Three Months Year Ended

Ended

December 31, December 31,

2010 **2011** **2010** **2011**

(unaudited) (audited) (unaudit

ed)

Revenue:

Carrier Services	99,713	113,290	391,762	447,894
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Enterprise Services	37,149	39,719	129,104	151,390
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Information Services	-	21,171	-	21,171
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Total revenue	136,862	174,180	520,866	620,455
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Operating expense:

Cost of revenue (excluding	29,704	41,329	111,282	137,992
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depreciation and amortization

shown separately below)

Sales and marketing	21,677	33,580	86,363	109,855
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Research and development	3,132	6,326	13,780	17,509
General and administrative	17,412	33,193	65,496	96,317
Depreciation and amortization	9,036	17,191	32,861	46,209
Restructuring charges	3,772	3,162	5,361	3,549

84,733 134,781 315,143 411,431

Income from operations 52,129 39,399 205,723 209,024

Other (expense) income:

Interest and other expense (153) (5,131) (6,995) (6,279)

Interest and other income	94	529	7,582	1,966
Income from continuing operations	52,070	34,797	206,310	204,711
before income taxes				
Provision for income taxes,	20,712	16,077	82,282	81,137

continuing operations

Income from continuing operations	31,358	18,720	124,028	123,574
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(Loss) income from discontinued	(8,873)	-	(17,819)	37,249
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operations, net of tax

Net income	22,485	18,720	106,209	160,823
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Basic net income (loss) per

common share:

Continuing operations	0.42	0.26	1.66	1.69
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Discontinued operations	(0.12)	-	(0.24)	0.51
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Basic net income per common	0.30	0.26	1.42	2.20
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share

Diluted net income (loss) per

common share:

Continuing operations	0.42	0.26	1.63	1.66
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Discontinued operations	(0.12)	-	(0.23)	0.50
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Diluted net income per common	0.30	0.26	1.40	2.16
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share

Weighted average common shares

outstanding:

Basic	73,804	70,945	74,555	72,974
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Diluted	75,458	72,865	76,065	74,496
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NEUSTAR, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

Decembe

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r 31,

r 31,

2010

2011

(audited)

(unaudited)

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ASSETS

Current assets:

Cash, cash equivalents and short-term	\$ 345,372	\$ 132,782
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investments

Restricted cash	556	10,251
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Accounts and unbilled receivables, net	89,438	111,825
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Prepaid expenses and other current assets	19,213	40,674
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Income taxes receivable	–	37,599
Deferred tax assets	6,146	6,264
Total current assets	460,725	339,395

Long-term investments	37,009	2,506
Property and equipment, net	74,296	100,102
Goodwill and intangible assets, net	143,625	913,419
Other assets, long-term	8,082	27,216

Deferred tax assets, long-term	10,137	–
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Total assets	\$ 733,874	\$ 1,382,638
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$ 61,690	\$ 86,719
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Deferred revenue	31,751	41,080
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Note payable and capital lease obligations	6,325	7,921
Accrued restructuring	4,703	4,361
Other liabilities	11,035	5,317
Total current liabilities	115,504	145,398

Deferred revenue, long-term	10,578	10,363
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Note payable and capital lease obligations,	4,076	586,727
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long-term

Accrued restructuring, long-term	315	–
Deferred tax liabilities, long-term	–	121,237
Other liabilities, long-term	7,289	16,279
Total liabilities	137,762	880,004

Total stockholders' equity	596,112	502,634
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Total liabilities and stockholders' equity	\$ 733,874	\$ 1,382,638
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NEUSTAR, INC.

SEGMENT REVENUE AND CONTRIBUTION

(in thousands)

Three Months

Year Ended

Ended

December 31,

December 31,

2010

2011

2010

2011

(unaudited) (audited) (unaudit

ed)

Revenue: ⁽¹⁾⁽³⁾

Carrier Services	99,713	113,290	391,762	447,894
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Enterprise Services	37,149	39,719	129,104	151,390
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Information Services	-	21,171	-	21,171
Total revenue	136,862	174,180	520,866	620,455

Segment contribution:⁽²⁾⁽³⁾

Carrier Services	90,530	97,549	352,317	391,000
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Enterprise Services	17,502	17,460	59,284	65,080
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Information Services	-	12,583	-	12,583
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Total segment contribution	108,032	127,592	411,601	468,663
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(1) Carrier Services:

- Numbering Services

- Order Management Services

- IP Services

Enterprise Services:

- Internet Infrastructure Services

- Registry Services

Information Services:

- Identification Services
- Verification & Analytics Services
- Local Search & Licensed Data Services

(2) Segment contribution excludes certain unallocated costs within the following expense

classifications: cost of revenue, sales and marketing, research and development, and general

and administrative. In addition, depreciation and amortization and restructuring charges are

excluded from segment contribution. Such unallocated costs totaled \$55.9 million and \$88.2

million for the three months ended December 31, 2010 and 2011, respectively, and totaled

\$205.9 million and \$259.6 million for the year ended December 31, 2010 and 2011,

respectively.

(3) The financial information above reflects the reclassification of the Company's Converged

Messaging Services business to discontinued operations for all periods presented.

Reconciliation of Non-GAAP Financial Measures

In this press release and in other public statements, Neustar presents certain non-GAAP

financial data. To place these data in an appropriate context, the following is a reconciliation of

income from continuing operations to adjusted net income from continuing operations for the

three and twelve months ended December 31, 2010 and 2011 and the year ending December

31, 2012 (projected). The Company plans to use this non-GAAP profitability measure as a

measure of its performance in 2012. Also provided is a reconciliation of income from continuing

operations to adjusted EBITDA from continuing operations.

These reconciliations allow investors to appropriately consider each non-GAAP financial

measure. These non-GAAP financial measures, however, should not be considered a substitute

for or superior to financial measures calculated in accordance with GAAP, and the financial

results calculated in accordance with GAAP and reconciliations from these results should be

carefully evaluated. Management believes that these measures enhance investors'

understanding of the Company's financial performance and the comparability of the Company's

operating results to prior periods, as well as against the performance of other companies.

However, these non-GAAP financial measures may not be comparable with similar non-GAAP

financial measures used by other companies and should not be considered in isolation from, or

as a substitute for, financial information prepared in accordance with GAAP. Prior disclosures of

non-GAAP figures do not exclude the same items and as such should not be used for

comparison purposes.

Reconciliation of Income from Continuing Operations to Adjusted Net

Income from Continuing Operations

Three

Year Ended

Year

Months

Ending

Ended

December

December

Decemb

31,

31,

er 31,

2010 2011

2011

2012 ⁽²⁾

(1)

(in thousands, except per share data)

(unaudited)

Revenue	136,8	174,1	520,8	620,4	820,000
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62 80 66 55

Income from continuing	31,35	18,72	124,0	123,5	138,400
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operations	8	0	28	74	
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Add: Stock-based 4,034 9,015 17,04 27,49 26,000

compensation 5 1

Add: Amortization of acquired 1,602 8,152 4,753 12,10 50,000

intangible assets 7

Add: Adjustment for provision	(2,24	(10,8	(8,69	(18,1	(30,400)
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for income taxes ⁽⁵⁾	2)	21)	4)	73)	
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Adjusted net income from	34,75	37,04	137,1	159,0	184,000
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continuing operations	2	0	32	14	
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Adjusted net income margin	25%	21%	26%	26%	22%
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from continuing operations ⁽⁶⁾

Adjusted net income from	0.46	0.51	1.80	2.13	2.75
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continuing operations per

diluted share

Weighted average diluted	75,45	72,86	76,06	74,49	67,000
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common shares outstanding	8	5	5	6
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(1) The amounts expressed in this column are derived from the Company's audited

consolidated financial statements for the year ended December 31, 2010. Results related to

the Company's Converged Messaging Services business for prior periods have been reclassified

to discontinued operations.

(2) The amounts expressed in this column are current estimates as of the date of this press

release of the results for the full year. This reconciliation is based on the midpoint of the

revenue guidance.

(3) Amounts represent costs incurred by the Company in connection with its acquisition of

Targus Information Corporation.

(4) Amounts represent costs incurred by the Company to repurchase 7.2 million shares of its

Class A common stock through a modified “Dutch auction” tender offer which closed on

December 8, 2011. These costs are not deductible for income tax purposes.

(5) Adjustment reflects the estimated tax effect of adjustments for stock-based compensation

expense, amortization of acquired intangible assets and approximately \$6.3 million of tax

deductible TARGUSinfo acquisition-related costs based on the effective tax rate for income from

continuing operations for the applicable period.

(6) Adjusted net income margin is a measure of adjusted net income from continuing

operations as a percentage of revenue.

Reconciliation of Income from Continuing Operations to Adjusted

EBITDA from Continuing Operations

Three Months Year Ended

Ended

December 31, December 31,

2010 2011 2010 ⁽¹⁾ 2011

(in thousands, except per share data)

(unaudited)

Revenue	136,862	174,180	520,866	620,455
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Income from continuing operations	31,358	18,720	124,028	123,574
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Add: TARGUSinfo acquisition-	-	9,561	-	11,602
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related costs ⁽²⁾

Add: Tender offer costs ⁽³⁾	-	2,413	-	2,413
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Add: Amortization of acquired	1,602	8,152	4,753	12,107
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intangible assets

Add: Adjustment for provision for	(637)	(6,656)	(1,896)	(7,277)
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income taxes ⁽⁴⁾

Adjusted income from continuing	32,323	32,190	126,885	142,419
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operations

Add: Depreciation and	7,434	9,039	28,108	34,102
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amortization ⁽⁵⁾

Add: Other expense (income)	59	4,602	(587)	4,313
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Add: Stock-based compensation	4,034	9,015	17,045	27,491
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Add: Provision for income taxes,	21,349	22,733	84,178	88,414
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continuing operations ⁽⁶⁾

Adjusted EBITDA from continuing	65,199	77,579	255,629	296,739
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operations

Adjusted EBITDA margin from	48%	45%	49%	48%
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continuing operations ⁽⁷⁾

Adjusted income from continuing	0.43	0.44	1.67	1.91
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operations per diluted share

Weighted average diluted common	75,458	72,865	76,065	74,496
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shares outstanding

(1) The amounts expressed in this column are derived from the Company's audited

consolidated financial statements for the year ended December 31, 2010. Results related to

the Company's Converged Messaging Services business for prior periods have been reclassified

to discontinued operations.

(2) Amounts represent costs incurred by the Company in connection with its acquisition of

Targus Information Corporation.

(3) Amounts represent costs incurred by the Company to repurchase 7.2 million shares of its

Class A common stock through a modified “Dutch auction” tender offer which closed on

December 8, 2011. These costs are not deductible for income tax purposes.

(4) Adjustment reflects the estimated tax effect of adjustments for approximately \$6.3 million

of tax deductible TARGUSinfo acquisition-related costs and the amortization of acquired

intangible assets based on the effective tax rate for income taxes from continuing operations

for the applicable period.

(5) Adjustment represents depreciation and amortization expense, excluding amortization of

acquired intangible assets.

(6) Amounts represent the provision of income taxes included in adjusted income from

continuing operations and when combined with the adjustment to provision for income taxes

equals the recorded provision for income taxes during the periods presented.

(7) Adjusted EBITDA margin is a measure of Adjusted EBITDA as a percentage of revenue.

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