

**For Immediate Release**



**8x8, Inc.**

## **8x8, Inc. Announces Third Quarter Fiscal 2010 Results**

*Net income of \$1 million or \$0.02 per share; Revenue from business customers grows 19% year over year*

**SUNNYVALE, Calif.**, -- January 27, 2010 -- 8x8, Inc. (Nasdaq: EGHT), provider of innovative business communications solutions, today announced financial operating results for the third quarter of fiscal 2010 ended December 31, 2009.

Net income for the third quarter of fiscal 2010 was \$1 million, or \$0.02 per share, compared sequentially to net income of \$1.3 million, or \$0.02 per share, for the previous quarter and \$180,000 or \$0.00 per share for the same period last year. Net income was negatively impacted by a non-cash expense of approximately \$265,000 to account for the change in fair value of the warrant liability resulting from the price appreciation of the Company's common stock during the quarter.

Total revenue for the third quarter of fiscal 2010 was \$15.9 million, compared sequentially to \$16.0 million for the previous quarter and \$16.2 million for the same period of fiscal 2009. Revenue from business customers grew 7% sequentially and 19% compared to the same period a year ago and now accounts for 79% of total revenue, up from 74% of total revenue in the prior quarter and 66% for the same period of fiscal 2009. Revenue from residential customers declined 21% sequentially and 41% compared to the same period a year ago.

During the third quarter of fiscal 2010, the Company improved its gross margin to 68%, compared to 67% in the previous quarter and 67% in the same period of fiscal 2009. Service margins grew to a record 78%, compared to 76% in the prior quarter and 74% for the same period of fiscal 2009. Business customer churn decreased to a record low of 2.4%, compared to a churn rate of 2.7% in the previous quarter and 2.9% for the same period last year. ARPU from business customers increased to \$204 in the current quarter from \$201 in the second quarter of fiscal 2010 and \$208 in the same period last year. 8x8 ended the third quarter of fiscal 2010 with 19,407 business customers.

“Our business customer base and accompanying service revenue showed continued growth in the third fiscal quarter, with gross customer additions at one of the highest levels in the past two years and increased ARPU resulting from the growing popularity of our services in larger, distributed enterprise environments,” said 8x8 Chairman & CEO Bryan Martin. “Even with a higher percentage of our business customer churn attributable to financial hardship, we witnessed our lowest overall churn to date.”

“The slight decrease in overall revenue for the quarter was due primarily to an higher than expected decline in residential revenue which was impacted by competitive pricing pressures from triple play and free international calling offers,” Mr. Martin continued.

### **Q3FY'10 Business Highlights:**

- Posted GAAP net income of \$1 million compared to \$180,000 in the same period last year
- Reported operating income of \$1.3 million compared to \$78,000 in the same period last year
- Reported operating margins of 8% compared to 0% in the same period last year
- Increased revenue from business customers to 79% of total revenue – up from 66% in the same period last year
- Reported 7% sequential growth in revenue from business customers and 19% compared to the same period a year ago.
- Added 2,785 gross new business customers compared to 2,609 in the previous quarter and 2,437 in the same period of fiscal 2009
- Increased average monthly service revenue per business customer to \$204 – up from \$201 in the prior quarter
- Reduced business customer churn to a record low of 2.4%, despite an increase in cancellations for economic reasons from 45% of total churn in the second quarter of fiscal 2010 to 49% of total churn in the third quarter of fiscal 2010

During the third quarter of fiscal 2010, 8x8 added \$949,000 cash to its balance sheet and ended the quarter with a total of \$17.1 million in cash and cash equivalents.

“The Company once again completed the quarter with a significantly higher cash balance which will enable us to more aggressively market our services and/or pursue strategic business opportunities in 2010,” said Mr. Martin. “With the prospects in the larger enterprise and government arena that lie ahead, as well as the recent introduction of our new unified communications and mobile offerings, we believe fiscal 2010 will further solidify 8x8’s position as the premiere provider of hosted communications services to the business market.”

Management will host a conference call to discuss these results and other matters related to the Company's business today, January 27, 2010, at 4:30 p.m. ET. The call is accessible via the following numbers and webcast links:

Dial In: (888) 515-2781, domestic  
(719) 325-2179, international  
Replay: (888) 203-1112, domestic, passcode 1458878  
(719) 457-0820, international, passcode 1458878  
Webcast: <http://investors.8x8.com/>  
Additional presentation materials: <http://virtualmeeting.8x8.com/Q3FY2010Earnings>

### **About 8x8, Inc.**

8x8, Inc. (Nasdaq: EGHT) offers integrated voice, video and mobile unified communications solutions for small to medium-sized business and distributed enterprise customers. These solutions leverage existing broadband Internet connections and cellular networks to deliver advanced features and high definition (HD) voice service at a fraction of the cost of legacy alternatives. Businesses of any size, configuration or geographic location can benefit from the cost, performance and operational advantages of 8x8 hosted communications solutions, all of which carry little or no upfront investment, no maintenance or upgrade fees and no change in user behavior. For additional information, visit [www.8x8.com](http://www.8x8.com).

### **Forward Looking Statements**

This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. These statements include, without limitation, information about future events based on current expectations, potential product development efforts, near and long-term objectives, potential new business, strategies, organization changes, changing markets, future business performance and outlook. Such statements are predictions only, and actual events or results could differ materially from those made in any forward-looking statements due to a number of risks and uncertainties. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors. These factors include, but are not limited to, customer acceptance and demand for our products and services, the reliability of our services, the prices for our services, customer renewal rates, customer acquisition costs, actions by our competitors, including price reductions for their telephone services, potential federal and state regulatory actions, compliance costs, potential warranty claims and product defects, our needs for and the availability of adequate working capital, our ability to innovate technologically, the timely supply of products by our contract manufacturers, potential future intellectual property infringement claims that could adversely affect our business and operating results, and our ability to retain our listing on the NASDAQ Capital Market. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's reports on Forms 10-K and 10-Q, as well as other reports that 8x8, Inc. files from

time to time with the Securities and Exchange Commission. All forward-looking statements are qualified in their entirety by this cautionary statement, and 8x8, Inc. undertakes no obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes available or other events occur in the future.

NOTE: 8x8, the 8x8 logo, and 8x8 Virtual Office are trademarks of 8x8, Inc. All other trademarks are the property of their respective owners.

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**8x8, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts; unaudited)

|   | <b>Three Months Ended</b> |               | <b>Nine Months Ended</b> |                 |
|---|---------------------------|---------------|--------------------------|-----------------|
|   | <b>December 31,</b>       |               | <b>December 31,</b>      |                 |
|   | <b>2009</b>               | <b>2008</b>   | <b>2009</b>              | <b>2008</b>     |
| Service revenues .....  | \$ 14,737                 | \$ 14,366     | \$ 44,095                | \$ 44,288       |
| Product revenues .....  | 1,207                     | 1,837         | 3,434                    | 4,621           |
| Total revenues .....  | <u>15,944</u>             | <u>16,203</u> | <u>47,529</u>            | <u>48,909</u>   |
| Operating expenses:   |                           |               |                          |                 |
| Cost of service revenues .....                                  | 3,254                     | 3,699         | 10,290                   | 11,535          |
| Cost of product revenues .....                                  | 1,925                     | 1,681         | 5,432                    | 4,786           |
| Research and development .....                                  | 1,239                     | 1,183         | 3,741                    | 3,674           |
| Selling, general and administrative .....                       | 8,251                     | 9,562         | 24,980                   | 27,980          |
| Total operating expenses .....                                  | <u>14,669</u>             | <u>16,125</u> | <u>44,443</u>            | <u>47,975</u>   |
| Income from operations .....                                    | 1,275                     | 78            | 3,086                    | 934             |
| Other income, net .....   | 7                         | 74            | 50                       | 266             |
| Income (loss) on change in fair value of warrant liability..... | (265)                     | 66            | (362)                    | 325             |
| Income before provision for income taxes.....                   | 1,017                     | 218           | 2,774                    | 1,525           |
| Provision for income taxes.....                                 | 3                         | 38            | 10                       | 113             |
| Net income .....  | <u>\$ 1,014</u>           | <u>\$ 180</u> | <u>\$ 2,764</u>          | <u>\$ 1,412</u> |
| Net income per share:   |                           |               |                          |                 |
| Basic .....   | \$ 0.02                   | \$ 0.00       | \$ 0.04                  | \$ 0.02         |
| Diluted.....  | \$ 0.02                   | \$ 0.00       | \$ 0.04                  | \$ 0.02         |
| Weighted average number of shares:                              |                           |               |                          |                 |
| Basic .....   | 62,852                    | 62,332        | 62,768                   | 62,236          |
| Diluted.....  | 63,393                    | 62,394        | 62,978                   | 62,428          |

**8x8, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, unaudited)

|   | <u>December 31,</u><br><u>2009</u> | <u>March 31,</u><br><u>2009</u> |
|---|------------------------------------|---------------------------------|
| <b>ASSETS</b>                                   |                                    |                                 |
| Current assets                                  |                                    |                                 |
| Cash and cash equivalents .....                 | \$ 17,070                          | \$ 16,376                       |
| Accounts receivable, net .....                  | 476                                | 414                             |
| Inventory .....                                 | 2,789                              | 2,297                           |
| Other current assets .....                      | 718                                | 841                             |
| Total current assets .....                      | <u>21,053</u>                      | <u>19,928</u>                   |
| Property and equipment, net .....               | 1,617                              | 1,485                           |
| Other assets .....                              | 405                                | 443                             |
| Total assets .....                              | <u>\$ 23,075</u>                   | <u>\$ 21,856</u>                |
| <br><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                                    |                                 |
| Current liabilities                             |                                    |                                 |
| Accounts payable .....                          | \$ 4,008                           | \$ 4,810                        |
| Accrued compensation .....                      | 1,491                              | 1,264                           |
| Accrued warranty .....                          | 356                                | 328                             |
| Deferred revenue .....                          | 1,657                              | 2,254                           |
| Other accrued liabilities .....                 | 3,014                              | 3,858                           |
| Total current liabilities .....                 | <u>10,526</u>                      | <u>12,514</u>                   |
| Other liabilities .....                         | 112                                | 291                             |
| Fair value of warrant liability .....           | 382                                | 21                              |
| Total liabilities .....                         | <u>11,020</u>                      | <u>12,826</u>                   |
| Total stockholders' equity .....                | <u>12,055</u>                      | <u>9,030</u>                    |
| Total liabilities and stockholders' equity..... | <u>\$ 23,075</u>                   | <u>\$ 21,856</u>                |

**8x8, Inc.**  
**Selected Operating Statistics**

|   | <b>FQ308</b>     | <b>FQ408</b>     | <b>FQ109</b>     | <b>FQ209</b>     | <b>FQ309</b>     | <b>FQ409</b>     | <b>FQ110</b>     | <b>FQ210</b>     | <b>FQ310</b>     |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Gross business customer additions (1)   | 1,924            | 2,162            | 2,398            | 3,324            | 2,437            | 2,792            | 2,907            | 2,609            | 2,785            |
| Gross business customer cancellations (less cancellations within 30 days of sign-up)                      | 949              | 1,138            | 1,098            | 1,187            | 1,224            | 1,245            | 1,371            | 1,416            | 1,331            |
| Business customer churn (less cancellations within 30 days of sign-up) (2)                                | 3.3%             | 3.6%             | 3.2%             | 3.1%             | 2.9%             | 2.7%             | 2.7%             | 2.7%             | 2.4%             |
| Total business customers (3)  | 10,007           | 10,845           | 11,898           | 13,744           | 14,706           | 16,013           | 17,266           | 18,199           | 19,407           |
| Business customer average monthly service revenue customer (4)  | \$ 233           | \$ 229           | \$ 237           | \$ 220           | \$ 208           | \$ 202           | \$ 196           | \$ 201           | \$ 204           |
| Revenue from business customers (in '000s)  | \$ 7,542         | \$ 8,111         | \$ 9,077         | \$ 9,826         | \$ 10,614        | \$ 10,728        | \$ 10,722        | \$ 11,842        | \$ 12,650        |
| Revenue from residential and video customers (in '000s)   | \$ 8,182         | \$ 7,685         | \$ 7,192         | \$ 6,356         | \$ 5,572         | \$ 5,236         | \$ 4,811         | \$ 4,168         | \$ 3,278         |
| Revenue from technology licensing (in '000s)  | \$ 80            | \$ 536           | \$ 12            | \$ 243           | \$ 17            | \$ (199)         | \$ 25            | \$ 17            | \$ 16            |
| Total Revenue   | <u>\$ 15,804</u> | <u>\$ 16,332</u> | <u>\$ 16,281</u> | <u>\$ 16,425</u> | <u>\$ 16,203</u> | <u>\$ 15,765</u> | <u>\$ 15,558</u> | <u>\$ 16,027</u> | <u>\$ 15,944</u> |
| Percentage of revenue from business customers   | 47.7%            | 49.7%            | 55.8%            | 59.8%            | 65.5%            | 68.1%            | 68.9%            | 73.9%            | 79.3%            |
| Percentage of revenue from residential and video customers  | 51.8%            | 47.0%            | 44.1%            | 38.7%            | 34.4%            | 33.2%            | 30.9%            | 26.0%            | 20.6%            |
| Percentage of revenue from technology licensing   | 0.5%             | 3.3%             | 0.1%             | 1.5%             | 0.1%             | -1.3%            | 0.2%             | 0.1%             | 0.1%             |
| Total Revenue   | <u>100.0%</u>    |
| Overall service margin  | 70%              | 74%              | 75%              | 73%              | 74%              | 71%              | 76%              | 76%              | 78%              |
| Overall product margin  | 15%              | -23%             | -13%             | -10%             | 9%               | -50%             | -75%             | -42%             | -59%             |
| Overall gross margin  | 65%              | 67%              | 68%              | 65%              | 67%              | 59%              | 66%              | 67%              | 68%              |
| Total (business, residential and video) subscriber acquisition cost per service (5)                       | \$ 129           | \$ 155           | \$ 162           | \$ 163           | \$ 135           | \$ 119           | \$ 108           | \$ 88            | \$ 102           |
| Business subscriber acquisition cost per service (6)  | \$ 161           | \$ 158           | \$ 171           | \$ 171           | \$ 141           | \$ 118           | \$ 93            | \$ 90            | \$ 102           |
| Average number of services subscribed to per business customer  | 7.3              | 7.2              | 7.1              | 6.9              | 6.6              | 6.6              | 6.9              | 7.1              | 7.3              |
| Business customer subscriber acquisition cost (7)   | \$ 1,177         | \$ 1,135         | \$ 1,217         | \$ 1,174         | \$ 933           | \$ 785           | \$ 638           | \$ 638           | \$ 749           |
| Residential lines in service  | 112,229          | 107,260          | 100,937          | 93,865           | 86,992           | 81,569           | 74,809           | 68,682           | 56,547           |
| Total (business, residential and video) customer churn (less cancellations within 30 days of sign-up) (8) | 3.8%             | 4.0%             | 3.5%             | 4.2%             | 3.9%             | 3.5%             | 3.7%             | 4.3%             | 3.3%             |

(1) Includes 1,154 "Find me, Follow me" and 40 8x8 Virtual Office customers acquired in the second quarter of fiscal 2009 from Avtex Solutions, LLC ("Avtex").

(2) Business customer churn is calculated by dividing the number of business customers that terminated (after the expiration of the 30 day trial) during that period by the simple average number of business customers during the period and dividing the result by the number of months in the period. The simple average number of business customers during the period is the number of business customers on the first day of the period plus the number of business customers on the last day of the period divided by two.

(3) Business customers are defined as customers paying for service. Prior to April 1, 2008, 8x8 included customers in the business customer count that were using the service as a trial or evaluation and not yet paying for service. The numbers in this table prior to and after April 1, 2008, only include business customers that are paying for service. Customers that have prepaid for their first month of service and are currently in the 30 day trial period are considered to be customers that are paying for service.

(4) Business customer average monthly service revenue per customer is service revenue from business customers in the period divided by the number of months in the period divided by the simple average number of business customers during the period.

(5) Total (business, residential and video) subscriber acquisition cost per service is defined as the combined costs of advertising, marketing, promotions, commissions and equipment subsidies during the period divided by the number of gross services added during the period.

(6) Business subscriber acquisition cost per service is defined as the combined costs of advertising, marketing, promotions, commissions and equipment subsidies for business services sold during the period divided by the number of gross business services added during the period. The addition of 1,154 Avtex customers that migrated to 8x8 in the second fiscal quarter of 2009 but subscribed to "Find me, Follow me" services rather than 8x8 Virtual Office service, and the \$79,230 in expense related to the acquisition of these 1,154 customers, is excluded from this calculation.

(7) Business customer subscriber acquisition cost is business subscriber acquisition cost per service times the average number of services subscribed to per business customer.

(8) Total (business, residential and video) customer churn is calculated by dividing the number of services terminated (after the expiration of the 30 day trial) during that period by the simple average number of services during the period and dividing the result by the number of months in the period.