



The following prepared remarks are an excerpt from the 2016 Third Quarter Earnings Conference Call of Endurance International Group Holdings, Inc. To review the contents of the entire call, please refer to the official webcast, which is available in the investor relations section of Endurance's website at www.endurance.com. These prepared remarks should be read in conjunction with Endurance's 2016 Third Quarter Earnings Presentation slides, which are available at the same location.

These prepared remarks contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements concerning: our financial guidance for fiscal year 2016; our intention to capture additional opportunity in the hosting space by investing behind a more concentrated set of brands, and the long-term results of such an approach; our expectations regarding future increases or decreases to total subscribers; the future prospects or success of our website builder product, and our intention to continue investing in that product; our ability to drive operational improvements in our flagship business; our intention to increase our marketing spend across key brands through our existing affiliate network; our plans to invest in media purchases to build brand awareness across our key business; our expectation regarding marketing spend levels for 2017 and the results of our brand awareness efforts; our ability to support our branding through differentiated pricing; our plans to expand and reallocate our channel mix and enter into more traditional media categories; our ability to build a halo effect around our brands by expanding our marketing channels; our expectations about the success of our new initiatives; our plans to use adjusted EBITDA and free cash flow to pay down debt and de-lever our balance sheet or for additional investment in the business; our belief that our 2016 free cash flow excluding the impact of transaction, integration and restructuring expenses will provide us a healthy free cash flow run rate for 2017; and our expected financial and operational performance in general. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in these prepared remarks that are not historical facts, and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "future," "strive," "see," "estimates," "will," "should," "may," "continue," "confident," "committed," and variations of such words or words of similar meaning and the use of future dates. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that these plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, the possibility that our fiscal 2016 guidance may differ from expectations; an adverse impact on our business from our substantial indebtedness and the cost of servicing our debt; an adverse impact on our business from litigation or regulatory proceedings; actual or contingent liabilities; the rate of growth of the Small and Medium Business ("SMB") market for our solutions; our inability to maintain a high level of subscriber satisfaction; our inability to continue to add new subscribers, increase sales to our existing subscribers, or retain our existing subscribers; system or Internet failures; our inability to maintain or improve our competitive position or market share; the loss of strategic relationships or alliances with third parties; the business risks of international operations; the loss or unavailability of any of our data centers; our recognition of revenue for subscription based services over the term of the applicable agreement; the occurrence of security or privacy breaches; and other risks and uncertainties discussed in our filings with the SEC, including the "Risk Factors" section of our most recent Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 and other reports we file with the SEC. You can obtain copies of our filings with

the SEC for free at the SEC's website (www.sec.gov). We do not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

These prepared remarks include data based on our internal estimates. While we believe that our internal estimates are reasonable, no independent source has verified such estimates.

The information on, or that can be accessed through, any of our websites is not deemed to be incorporated in this prepared remarks or to be part of these prepared remarks.

Non-GAAP Financial Measures: *these prepared remarks contain non-GAAP financial measures as defined by the SEC in Regulation G, including, adjusted EBITDA, free cash flow, and bank adjusted EBITDA. Definitions of these non-GAAP financial measures and reconciliations to their comparable GAAP measures are included in our 2016 third quarter earnings release and presentation, each dated November 1, 2016, and available in the investor relations section of our website at www.endurance.com.*

Lynn Harrison – Director, Investor Relations

Hi this is Lynn Harrison, Director of Investor Relations at Endurance International Group. It is my pleasure to welcome you to our third quarter 2016 earnings call. I am very pleased to join the Endurance team for my first quarterly earnings call. I am familiar with Endurance, having worked at Constant Contact for several years. First, we will go through some prepared remarks after which we will turn to Q&A. We have prepared a presentation to accompany our comments which is available at the investor relations section of our website at ir.endurance.com. While not necessary to follow along, we recommend referencing the presentation slides alongside our prepared remarks. As is customary, let me now read the safe harbor statement.

Statements made on today's call will include forward-looking statements about Endurance's future expectations, plans and prospects. All such forward-looking statements are subject to risks and uncertainties. Please refer to the cautionary language in today's earnings release and to our Form 10-Q filed with the SEC on August 8, 2016 for a discussion of the risks and uncertainties that could cause our actual results to be materially different from those contemplated in these forward-looking statements. Endurance does not assume any obligation to update any forward-looking statements.

During this call, we will reference several non-GAAP financial measures, including adjusted EBITDA, free cash flow (FCF), and bank adjusted EBITDA. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is available in the presentation located in the investor relations section of our website.

And finally, year-over-year pro forma growth rates mentioned on this call are calculated as if we had owned Constant Contact for all of Q3 2015. Please note that these growth rates only reflect the Q3 2015 pro forma results for Constant Contact and not for any other businesses we acquired after Q3 2015.

With that, I will turn you over to Hari Ravichandran, our founder and CEO.

Hari Ravichandran – Founder and CEO

Slide 4 Thanks Lynn. Good morning everyone, and welcome to our third quarter 2016 earnings call. I am pleased to report our third quarter results. GAAP revenue was \$291.2 million, reflecting year over year growth on a combined pro forma basis of 4%. GAAP net loss was \$(29.8) million, and GAAP cash from operations was \$36.2 million. Adjusted EBITDA was \$85.2 million, reflecting year over year growth of 15% on a combined pro forma basis, and free cash flow was \$26.4 million. We ended the quarter with approximately 5.4 million subscribers on platform at an average revenue per subscriber of \$17.78. I am pleased by the strong cash flows generated by our business during Q3.

Slide 5 We continue to focus on building strong foundations in our business that we believe will lead to future sustainable growth and cash flows, and support our strategic vision as a leader in the online small business marketing space. During the quarter, across all business lines, we continued to work toward this vision.

First, I'd like to review the Endurance flagship business, which includes our hosting and domain brands. During the quarter and relative to our original 2016 plan, we began to reallocate marketing spend to a subset of hosting and domain brands, including our largest brands, Bluehost, Hostgator, and iPage. We seek to capture additional opportunity in the hosting space, and believe that investment behind a more concentrated set of hosting brands will best support expansion of product capabilities and scale across all businesses. Within this subset of brands, we continue to target subscriber growth that will drive the most optimal contribution to future cash flows. For our other brands, which demonstrate generally healthy free cash flow, we are investing less in subscriber acquisition. In the near term, we expect this approach to result in net subscriber losses in our hosting business. However, we believe that longer-term, focusing on a concentrated set of brands will help us drive more value.

Constant Contact grew revenue by 4% year over year, and the business continues to perform in-line with top-line expectations while exceeding plan on synergy realization. During the quarter at Constant Contact we continued to focus on profitability, driven by increases in ARPS with lower cost to acquire. From an operational perspective, we began testing cross-sell into the Constant Contact subscriber base of some of Endurance's more services-oriented products such as analytics and site design.

Turning now to the gateway brands--as noted on the last call, in the first half of the year, the company spent considerable marketing resources to bring a portfolio of new gateway products to market. Based on a full review of our gateway products, we made the decision to narrow our focus primarily to our site builder product. We believe that this product is important strategically. With the previously announced acquisition of AppMachine, our Dutch development team began the management of the product development aspect of our builder product. Also during Q3, we launched the Webzai site builder into our iPage and Hostgator brands. We are excited about the role that this product will play in the future, capturing another segment of the web presence opportunity and we intend to continue to invest behind it.

We expect that the first half marketing allocation, as well as the changes we are making through the remainder of the year, will impact the growth in our business in the near term. However, looking into the future, our key areas of focus will be to drive operational improvements, including improvements to customer support level, in our flagship business; continue to invest in our site builder product; increase our marketing spend across our key brands through our existing affiliate network; and finally, to invest in media purchases to build brand awareness across our key businesses. We are excited about sharing more information over the coming quarters.

Slide 6 For 2017, we expect that marketing will continue to be a primary area of investment. We believe our strong presence across our product categories can be further enhanced through a more focused approach to building brand awareness across these categories, and building leading brands in each category.

At this time, we plan to focus on a two-pronged approach to building greater awareness. First, we believe we can make inroads in refining our go-to-market strategy through focusing on fewer brands. In doing so, we believe the differentiation between the brands can be used to address the fragmented needs of our users. We also believe that we can support our branding through differentiated pricing, at both ends of the market. For our value brands, we can offer lower pricing; for premium brands, we believe we can achieve more elasticity in pricing if we are successful in building awareness and allegiance to specific brands.

Second, we expect that 2017 will be a year of expanding our channel mix, and entering into more traditional media categories for our brands. We plan to focus the vast majority of our investment on our existing affiliate network, which continues to serve us well through relatively low cost to acquire as compared to other channels. We also believe we have room to test into other channels that will support and influence our affiliate network, such as radio and television, which we believe will build a halo effect across all of our channels. We are focused on building a strong subscriber base across our business, and believe that we can continue to do so by focusing on channels that deliver profitable growth over time. We also plan to reduce our presence in channels that have demonstrated diminishing returns. We expect to take a measured approach in these channels, spending dollars where we believe we can maximize future cash flows.

Slide 7 In closing, we continue to work towards meeting our longer-term financial and strategic goals, despite the near-term headwinds to subscribers and revenue growth driven by H1 marketing allocation decisions. We see steady contribution and additional opportunities in our flagship business. We are investing in newer initiatives that we believe will further contribute to sustainable cash flows and scale. We continue to expect that our efforts will combine to grow our adjusted EBITDA and free cash flow, which we plan to use to fund debt pay down or additional investment in the business. We are excited at the road ahead of us despite some of the challenges we faced earlier this year.

With that, I will turn the call over to Marc Montagner, our chief financial officer.

Marc Montagner, Chief Financial Officer

Slide 8 Thank you Hari. I'm pleased to review our Q3 results. GAAP revenue was \$291.2 million, reflecting 4% growth year over year versus pro forma Q3 2015. Excluding Constant Contact, on an Endurance standalone basis, GAAP revenue grew 4% year over year, including acquisitions and the consolidation of our joint venture. Without the impact of the acquisitions and joint venture, revenue in the standalone Endurance business was flat. Adjusted EBITDA was \$85.2 million reflecting a 15% increase from Q3 2015 on a pro forma basis.

On a reported basis, GAAP cash flow from operations was \$36.2 million, reflecting a slight decline of 4% versus Q3 2015. Capex was \$9.8 million, or 3.4% of GAAP revenue, and free cash flow was lower by 5% year over year from Q3 2015 to \$26.4 million. Lower year over year cash from operations and free cash flow was driven primarily by higher cash interest expense on the bank debt, and also a semi-annual interest payment on our high yield notes. Year over year, incremental cash interest paid in the third quarter totaled approximately \$33 million.

Slide 9 Turning to slide 9, you can see that our total subscriber number decreased sequentially by approximately 42,000 subscribers from Q2 2016 to Q3 2016. Reallocation of marketing spend across our brands, including a decrease in spending in our gateway brands, has negatively impacted overall net subscriber additions. These net decreases more than offset subscriber count increases in some of our flagship brands during Q3 2016. From Q3 2015 to Q3 2016, subscribers increased by approximately 3% for Endurance, excluding subscribers brought to platform through acquisition or consolidation of our joint venture. Excluding subscribers brought to the platform through the acquisition of Constant Contact, Endurance subscribers grew 9% year over year. And finally, including all subscribers, total subscriber count for Endurance increased 21% year over year.

On a combined company basis, average revenue per subscriber (ARPS) for Q3 was \$17.78 versus \$17.74 in Q2 2016. ARPS for standalone Endurance was \$13.25, while Constant Contact ARPS was \$58.27 in Q3 2016. Sequentially, Endurance standalone ARPS was lower by \$0.07, while Constant Contact ARPS increased by \$1.59.

As we look at the different components of revenue, during Q3, hosting services and add-ons such as security, mobile optimization, and e-commerce integration now represent approximately 49% of our revenue. Email marketing accounts for approximately 33%, domain registrations approximately 13%, and the remainder of the business, such as domain monetization and co-marketing funds, accounts for approximately 6%.

Slide 10 Let's now turn to our guidance for 2016. Our guidance for full year 2016 is presented here on a closing date basis, with Constant Contact results included since February 10, 2016, the day after the closing. The second table presents guidance on a combined pro forma basis, as if the Constant Contact acquisition had closed on January 1, 2016. This guidance assumes no incremental M&A. We are not changing our 2016 guidance issued on August 2, 2016 for GAAP revenue, adjusted EBITDA, or free cash

flow.

For full year 2016, on a closing date basis, we expect the following:

- GAAP revenue of approximately \$1,090 million;
- Adjusted EBITDA of approximately \$270 million; and
- free cash flow, defined as GAAP cash flow from operations, less capex and capitalized leases, of approximately \$100 million. Note that this figure reflects the negative impact on free cash flow of approximately \$65 million in transaction, integration, legal advisory, and restructuring expenses, the majority of which are associated with the Constant Contact transaction. Free cash flow excluding these expenses would be approximately \$165 million for 2016, which we believe sets up a healthy run rate for 2017.

On a combined pro forma basis, for full year 2016 we continue to expect the following:

- We expect pro forma GAAP revenue of \$1,130 million.
- We expect adjusted EBITDA of \$275 million on a pro forma basis.

Slide 11 Turning now to our debt, we ended the quarter with \$2,102 million in total senior debt. Including other deferred obligations and capital leases, total debt at the end of the period was \$2,131 million. This includes a drawdown on the revolver of approximately \$33 million, accessed for cash management purposes. We ended the quarter with approximately \$67 million of cash on the balance sheet. We seek to keep a minimum cash balance for working capital purposes.

During Q3 we made the following key cash payments, which totaled approximately \$122 million:

- A semi-annual interest payment on high yield debt of approximately \$18 million;
- an interest payment on our original term loan of \$17 million;
- an interest payment on our incremental term loan of \$11 million;
- debt amortization of \$9 million; and
- deferred consideration and other payments of approximately \$67 million, related primarily to the acquisition of Ace Data Center, Webzai, and AppMachine

Slide 12 Turning now to our calculation of bank adjusted EBITDA as defined in our credit agreement, our senior debt covenants are based on last twelve-month bank adjusted EBITDA, which in Q3 was \$388.1 million. Our senior debt leverage ratio was 4.4x bank adjusted EBITDA at Q3. We remain well below our maximum allowed leverage of 6.5x. Our focus is still on de-levering our balance sheet and using our free cash flow to pay down our debt.

Slide 13 In conclusion, we believe we are making the right decisions in bringing a more balanced investment approach for the remainder for of 2016, and in positioning ourselves well for the future. Thank you for listening today, and now I'll turn the call back to the operator to begin Q&A.