ENDURANCE
International Group

The following prepared remarks are an excerpt from the 2015 Fourth Quarter and Full Year 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 2015 Fourth Quarter and Full Year Earnings Presentation slides, which are available at the same location.

These prepared remarks contain 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; the expected opportunities and benefits associated with the combination of the Endurance and Constant Contact businesses; our opportunity to continue to serve a healthy SMB market; our ability to achieve cost, revenue and marketing synergies from the Constant Contact acquisition in the expected amounts or timeframes or at all; our expectations regarding transaction expenses related to the Constant Contact acquisition; our plans for presenting operating metrics that reflect the Constant Contact acquisition; our ability to de-lever quickly; our anticipated cash interest payments for 2016; the expected benefits of our investments in new product initiatives; the timing and nature of our product launch plans; our plans to increase our investment in marketing; our ability to leverage our position in technology, marketing channels and product to support longer-term growth and value creation; our ability to drive new subscribers to our platform and provide solutions to help them grow their business; our expectations for run rate adjusted EBITDA at the end of 2016; our growth rate expectations for Constant Contact and Endurance; our ability to achieve our financial and operational targets; and our expect 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," "potential," "anticipates," "intends," "plans," "believes," "seeks," "see," "estimates," "will," "should," "may," "confident," "comfortable," "positions," "look forward to," 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 of any failure to realize the intended benefits of the acquisition of Constant Contact, including the inability to integrate Constant Contact's and Endurance's business and operations or to realize the anticipated synergies in the expected amount or within the anticipated time frames or cost expectations or at all; 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 and increase sales to our existing subscribers; our inability to continue to drive growth through mergers or acquisitions, whether due to unavailability of target companies at prices and on terms we are willing or able to pay, difficulties in obtaining debt or equity funding for mergers and acquisitions, regulatory constraints, our inability to integrate acquired businesses and/or realize the expected cost savings and other synergies from our acquisitions; system or Internet failures; our dependence on establishing and maintaining strong brands; 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 period ended September 30, 2015 and most recent Annual Report on Form 10-K for the year ended December 31, 2014, as well as our Form 8-K/A filed on January 21, 2016. 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 these prepared remarks or to be part of these prepared remarks. These prepared remarks also contain non-GAAP financial measures as defined by the Securities and Exchange Commission in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included in our 2015 Fourth Quarter and Full Year Quarter earnings release and presentation, each dated February 18, 2016, and available in the investor relations section of our website at www.endurance.com.

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Angela White – VP, Investor Relations

Hi this is Angela White, VP of Investor Relations at Endurance International Group. It is my pleasure to welcome you to our fourth quarter and full year 2015 earnings call. 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 November 6, 2015 and our Form 8-K/A filed with the SEC on January 21, 2016 for 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 present several non-GAAP financial measures, including adjusted EBITDA, uFCF (as reported), free cash flow (FCF), free cash flow per share, adjusted revenue, and average revenue per subscriber (ARPS). 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.

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

Hari Ravichandran – Founder and CEO

<u>Slide 4</u> Thanks Angela. Good morning everyone, and welcome to our fourth quarter and full year 2015 earnings call. We are very pleased with our results for the year. GAAP revenue grew 18% year over year. GAAP net loss was $26 million, and GAAP cash from operations was $177 million, reflecting 24% year over year growth. Full year adjusted revenue grew 15% year over year, to $747 million. Full year adjusted EBITDA grew 14% year over year to $267 million. Unlevered free cash flow (as reported) grew 14% year over year, and free cash flow grew 23% year over year. We believe that free cash flow growth will provide us continued opportunity and flexibility, and were pleased to see continued strong growth in this metric. In addition, our total subscriber base increased during the year from 4.1 million to 4.7 million, at an ARPS of $14.29.

<u>Slide 5</u> In addition to finishing a year of healthy growth, we also made progress on our previously announced acquisition of Constant Contact. Last week on February 9, we completed the transaction, paying Constant Contact shareholders $32.00 per share. The total transaction value was $1.1 billion. Net of cash on the Constant Contact balance sheet, the purchase price was approximately $900 million. We remain very excited about the combination of our subscriber acquisition funnel, product capabilities, talented pool of employees, and the opportunity to provide SMBs a full suite of tools for online marketing services.

Our integration timeline is progressing as planned. Shortly after close of the transaction, we implemented our first phase of integration. We notified employees of headcount reductions, and also began consolidating field office functions. Initial plans include the winding down of the SF, UK, and FL footprints and delivering these functions through the Waltham headquarters office. We continue to anticipate reaching our originally targeted annual run rate cost synergies of $55 million starting at the end of 2016, with potential upside in revenue and marketing synergies. Both teams have worked diligently to meet our timelines and we are all focused on building the best teams to move forward.

I would like to welcome the members of the Constant Contact family and its leadership team. Gail Goodman will be moving on to other ventures, while Harpreet Grewal, former CFO of Constant Contact, will lead the brand's operations. Joel Hughes will continue to head up the emerging ventures group, and Ken Surdan will continue to lead the product and development group. Both will work closely with the Endurance team on product development and innovation.

Over the last few months, we also completed the financing related to the transaction. On February 9 we closed on an incremental term loan in the amount of $735 million and $350 million in unsecured notes, and replaced our existing $125 million revolving credit facility with a new $165 million revolving credit facility. We believe that we will be able to de-lever quickly if we achieve our targeted growth in adjusted EBITDA and free cash flow generation.

Slide 6 Importantly as part of this acquisition, we believe we have opportunity to reduce costs, and better balance top line performance with investment in order to drive accretive EBITDA and future cash flows. Our plan for the reduction in costs was based primarily on headcount reductions, which accounts for $48 million of the $55 million in targeted annual run rate synergies. With the headcount reductions last week, we eliminated approximately $30 million in annual run rate costs. We intend to continue to balance costs and investments appropriately across our brands, in order to continue to leverage our scale.

Slide 7 The combination of Endurance and Constant Contact positions us firmly as a leader in SMB online marketing products and services. We are excited to add enhanced product and technology capabilities to our existing foundation as we have expanded beyond web presence to a full suite of SMB products and services.

Importantly, we believe that the transaction will benefit us operationally and financially. As our scale continues to build, we will be able to leverage our position in technology, marketing channels, and product to support longer-term growth and value creation. In fiscal 2016, we expect approximately $1.2 billion in revenue and approximately $400 million in adjusted EBITDA.

Slide 8 Endurance exited the year with momentum in recent initiatives. Our site builder product, which launched in H2 of 2015, is showing much promise. We are excited with the traction to date, and regard this as an example of the results we can achieve through a combined effort, innovating at a fast pace in order to deliver a product that SMBs value. In Q4 we launched our mobile site builder product, Impress.ly, which allows SMBs to easily aggregate components of their web presence. We continue to roll out adjacent products and services that can be secured through one central marketing funnel. In the same vein, we recently rolled out a resume builder tool, which is aimed at helping SMBs network and find potential candidates.

In addition to the recent Constant Contact close, in Q4 we acquired assets of IX Web Hosting for a total consideration of $28 million. IX provides core web hosting services targeted at SMBs. Subsequent to quarter end, we increased our equity ownership in our site builder joint venture, WZ UK, Ltd. Starting in Q1 2016, results of this business will be consolidated with our financial results, which we have been working toward since our initial investment in the joint venture in Q3 of fiscal 2014.

Internationally, we continue to make progress as well. GAAP revenue from subscribers from international geographies totaled 37% of our revenue, an increase from 35% of GAAP revenue in last fiscal year. The vast majority of our transactions take place in USD, which has minimized currency impact to the top line. We continue to see benefit from our investment in Brazil, with higher than average revenue growth rates. We plan to launch our mobile site builder in the Brazilian market during H1.

Turning to our partnership pipeline, we launched a partnership with Kabbage, a company that fulfills working capital needs for SMBs. We continue to view partnerships as a way to test interest in certain products and to garner key insights into our subscriber base.

As we noted last August, we re-organized primary lines of responsibility between our flagship businesses from our newer gateway businesses which are in higher growth mode. These include our site builder, cloud gateways, mobile site builder, and other solutions. Ron LaSalvia will continue to head up the organization's flagship businesses, and will fold in responsibility for the Constant Contact brand. Ron has done an excellent job heading up these efforts as chief operating officer. I am pleased to announce he will serve in the role of president in addition to chief operating officer, formalizing the role he has played organizationally.

Slide 9 We are excited at all that we accomplished during the past fiscal year. We believe that our efforts and investments will reap benefits in years to come. Over the years, our business has expanded, and we have done so by setting a strategy and investing ahead of the curve. This year is no different. We plan to invest significantly more in program marketing, while balancing top and bottom line growth appropriately. We believe our focus will drive new subscribers to platform, where we can provide solutions to help them grow their businesses. We are excited about 2016 and feel confident in our ability to reach our targets.

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

Marc Montagner, Chief Financial Officer

Slide 11 Thank you Hari. We are very happy with our full year results. For the full year ending December 31, 2015:

- adjusted revenue grew 15% year over year, to $747.0 million within our guidance of $745 million to $750 million;
- adjusted EBITDA grew at 14% year over year, to $267.5 million within our guidance of $265 million to $270 million;
- capital expenditures were less than 5% of adjusted revenue;
- and free cash flow, defined as cash flow from operations, less cap ex and capitalized leases, grew 23% year over year, to $141.2 million, resulting in free cash flow per share of $1.07 for the year.

Slide 12 Looking at the fourth quarter of fiscal 2015:

- adjusted revenue was $194.7 million, reflecting year over year growth of 11%;
- adjusted EBITDA was $71.8 million, reflecting year over year growth of 16%;
- and free cash flow was $33.4 million, resulting in free cash flow per share of $0.25.

Free cash flow in the quarter was impacted by transaction expenses, integration charges, restructuring expenses, and legal related expenses of approximately $6.9 million.

Slide 13 Turning to operating metrics, total subscribers on platform increased during 2015 by over 550,000 to approximately 4.7 million. Average revenue per subscriber (ARPS) for the full year was $14.29 versus $14.48 for the same period a year ago. Our focus is on increasing our total subscriber count in a profitable way. ARPS is being pressured by subscribers coming to our platform through lower-priced products, and new subscribers being loaded at low introductory prices in the first year. In 2016, just like in 2015, we will focus on increasing our subscriber numbers.

Slide 14 Last quarter, we noted that we had identified errors while migrating data from our legacy business intelligence system to an upgraded BI system. These errors impacted certain operating metrics. We are reporting our corrected metrics going back to Q4 2013 which is the time at which we went public.

At the top of this slide, you can see the evolution of Products per Subscriber (or "PPS") since Q4 2013. We define PPS as the number of products purchased across our platform divided by our subscribers at the end of the period, whether bundled or individually. In the revised PPS, the updated numbers have been corrected to adjust for the coding errors that we discovered last fall. We also only counted subscribers who meet our definition of total subscribers for our major brands shown on the slides, and we made the methodology consistent across multiple brands. You will note that there is a significant increase in PPS in the fourth quarter of 2014 due to an adjustment that eliminated inactive customers from our subscriber count which were first identified as such in that same quarter.

The middle chart shows you the corrected number of subscribers spending over $500 per year with us. As you see here, the actual numbers were lower than originally disclosed as a result of coding errors, but still reflect a positive trend. The third chart reflects our monthly recurring revenue ("MRR") numbers, which remained unchanged at 99% after a full recalculation of this metric.

As we stated in the past, our corrections of PPS and Subscribers spending over $500 per year with us did not impact our GAAP financial results, adjusted revenue, adjusted EBITDA, free cash flow, or unlevered free cash flow metrics. This also does not impact ARPS, subscriber count, churn, or unit economics.

Given the material contribution of Constant Contact to our business and the difference in subscriber profile, we will no longer report PPS or the numbers of subscribers spending over $500. We are currently reviewing the metrics that we will provide to investors in the future. In addition, for the next four quarters, we plan to break out Constant Contact revenue in our disclosures.

Slide 15 Now that we have reviewed our financial and operating metrics, let's turn to guidance for 2016. We had previously provided guidance on a quarterly and annual basis. Starting this fiscal year, we are moving to annual guidance for adjusted revenue, adjusted EBITDA, capital expenditures, and free cash flow. We define free cash flow as cash flow from operations minus cap ex and capitalized leases. We will no longer provide guidance for unlevered free cash flow (as reported).

Given the timing of the close of the acquisition of Constant Contact on February 9, 2016, our 2016 results will not include a full year contribution from Constant Contact. Our guidance for 2016 therefore includes pro forma full year numbers as well as numbers based on the date of close. This guidance does not assume incremental M&A.

For 2016, we expect:

- Annual adjusted revenue expectations for a full year, pro forma for the Constant Contact acquisition, of more than $1,225 million;
- expected adjusted revenue based on date of close of greater than $1,175 million;
- expected adjusted EBITDA on a pro forma basis of approximately $405 million;
- expected adjusted EBITDA based on date of close of approximately $400 million, and
- capex of approximately $60 million.
- This year, we expect significant transaction expenses related to financing, options acceleration, and restructuring charges associated with the Constant Contact deal which will impact free cash flow. Excluding these expenses, we expect free cash flow, defined as cash flow from operations less capex, of $180 million to $190 million. Including the impact of these expenses, which we expect will be approximately $40 million, we expect free cash flow of $140 million to $150 million.

On a combined pro forma basis, we continue to expect $55 million in pro forma annual run rate synergies in 2016. As noted earlier, we eliminated approximately $30 million in annual run rate costs last week with the headcount reductions.

I would also like to highlight some items underlying these assumptions:

- Revenue expectations remain as previously stated. As we streamline operations at Constant Contact, our objective is to maximize free cash flow and focus on profitable growth. We expect to grow

Constant Contact at low- to mid- single digits while we optimize operations and marketing spend. The balance of the growth will come from Endurance.

- As Hari noted, we expect to increase investment in marketing significantly relative to fiscal 2015. Based on testing in 2015 and the corresponding marketing yields, we see opportunity to invest behind the Endurance brands in fiscal 2016.

Slide 16 Now, an update to the transaction financing. We financed the Constant Contact transaction through an incremental $1,085 million in debt—$735 million in an incremental seven-year term loan at a rate of L+500, and $350 million in unsecured notes at 10.875% with an eight-year maturity. We also raised a new five-year revolving credit facility in an aggregate amount of $165 million, which is undrawn at this time, and replaces the old revolver of $125 million. The spread on our existing term loan has increased to L+523 and will likely further increase to L+548 on February 28. We expect to pay approximately $140 million in cash interest in 2016. With this transaction, we were able to improve our financial flexibility, adding approximately $50 million of cash to our balance sheet and providing additional liquidity with the undrawn revolver in place, while extending out maturities. Our next scheduled maturity is in November 2019 on our existing term loan.

Based on a pro forma view of last twelve months adjusted EBITDA at December 31, 2015, this translates into leverage of 4.4x on a secured basis and 5.3x on an unsecured basis. Our objective is to reduce total debt to adjusted EBITDA to below 4x by the end of 2017.

Slide 17 In conclusion, we are very pleased to see that our business achieved strong year over year growth during 2015. We feel very confident about fiscal 2016. Now, I'd like to turn to the call back to the operator to begin Q&A.