



The following prepared remarks are an excerpt from the 2017 First 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 2017 First 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 2017; our anticipated focus areas for 2017; our ability to remain focused on our goals during our chief executive officer transition and our commitment to carry out a seamless transition; our intention to drive profitable growth and strong cash flow; our plans to focus on our key brands; our plan to launch email marketing in Latin America in late 2017 and our plans for international growth generally; our expectations regarding timing of our website builder product relaunch and our belief that our website builder product will help fortify our market position in the web presence space over the long term; our expectations regarding trends in our subscriber count, ARPS and subscriber churn during 2017, including the anticipated impact of certain domain-led offers on these trends; our expected results of our consolidation of customer support operations to our Tempe, AZ and Houston, TX locations; our plans for price increases across a number of brands that we do not actively market to improve cash flow; our expectations regarding the impact of restructuring and integration expenses on free cash flow in 2017; our plans for key uses of cash for the full year 2017; our plans to pay down debt and de-lever our balance sheet and to maintain a balanced investment approach; our belief that we are positioned to serve the SMB market for future years to come; 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,” “looking to,” “scheduled,” “long-term,” 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 2017 guidance may differ from expectations; our inability to successfully enhance the customer product and service experience and improve customer

satisfaction and retention through operational and infrastructure improvements; difficulties or delays in our efforts to build brand awareness of our key brands; our inability to drive revenue growth by increasing ARPS through cross-selling and other product-related initiatives; the possibility that we will continue to experience decreases in our subscriber base; an adverse impact on our business from litigation or regulatory proceedings; an adverse impact on our business from our substantial indebtedness and the cost of servicing our debt; an adverse impact on our business from recently announced executive transitions (including the transition of our chief executive officer); the rate of growth of the Small and Medium Business (“SMB”) market for our solutions; our inability to grow our subscriber base, 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; 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 Annual Report on Form 10-K for the year ended December 31, 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 these 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 2017 first quarter earnings release and presentation, each dated May 2, 2017, and available in the investor relations section of our website at www.endurance.com.*

Angela White, Investor Relations

Good morning. It is my pleasure to welcome you to our first quarter 2017 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 in 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-K filed with the SEC on February 24, 2017 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.

Finally, year-over-year pro forma growth rates mentioned on this call are calculated as if we had owned Constant Contact for all of 2016. Please note that these growth rates only reflect the 2016 pro forma results for Constant Contact and are not adjusted for the pre-acquisition periods of any of our smaller acquisitions made during 2016.

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

Hari Ravichandran – Founder and CEO

Slide 5 Thanks Angela. Good morning everyone, and welcome to our first quarter 2017 earnings call. Before I discuss the quarter's results, I would like to briefly address the announcement we made on April 17th. As noted in that release, I will be transitioning from my role as CEO of the company. Our business has grown substantially over the 20 years since I founded the company, and I am very proud of what the company has become, and of all our accomplishments along this journey. Last fiscal year we exceeded \$1 billion in GAAP revenue, and the business continues its steady performance, as is reflected in our results this quarter.

Endurance, like many companies, continues to evolve as it seeks to capture opportunities in the global marketplace. As Endurance becomes an increasingly large and complex organization, we believe that this is the best time to work together to find a CEO who can shepherd the company to the next level—

one who can further support the goals of the business and manage the expanding operations in the context of a public company. I look forward to this next stage of Endurance's exciting journey.

Until this search is complete, I plan to maintain my role as CEO and as a member of the Board, and will continue to focus on building on the foundation that was started two decades ago. On behalf of the entire leadership team, I am confident in our ability to execute through this transition period and remain focused on our goals. Now, turning to the quarter's results.

Slide 6 We are pleased with our Q1 performance. GAAP revenue was \$295.1 million. GAAP net loss was \$(31.6) million, and GAAP cash flow from operations was \$33.7 million. Adjusted EBITDA was \$80.1 million, and free cash flow was \$22.4 million. We ended the quarter with approximately 5.3 million subscribers on platform at an average revenue per subscriber, or ARPS, of \$18.43. Our performance this quarter reflects our continued commitment to driving profitable growth and strong free cash flow.

Slide 7 We continued our focus on key hosting brands, which include Bluehost, HostGator, and iPage. During the quarter, we increased net subscribers in these key brands, in aggregate. We plan to continue to spend marketing dollars primarily on these key hosting brands given the attractive returns. Also this quarter, we began consolidation of support centers from Orem, Utah and Austin, Texas, to our Tempe, Arizona and Houston, Texas locations, respectively. We expect the transition to provide more centralized, scalable, and lower-cost support over the long term. We also increased marketing spend relative to last quarter for our key hosting brands, addressing seasonal pick up in SMB activity during the first quarter of the year.

Turning now to our email marketing segment, the Constant Contact business continues to perform well, showing stable and consistent revenue growth. In March, we launched the Constant Contact email product in India, with a localized site. We continue to push the goals of the business forward, with additional international expansion to Latin America planned for late 2017.

Turning briefly to our website builder product—we believe that our website builder product will help fortify our market position in the web presence space over the long term. We expect to spend the remainder of H1 of fiscal 2017 re-packaging our website builder product for re-launch in H2. This re-launch is expected to include product updates such as improvements in usability, interface aesthetics and studio experience on the front end, as well as standardization of control panels and transfer of billing systems from the UK to a US-based platform on the back end.

Internationally, we are seeing growth opportunities. In certain markets, such as India, we continue to go to market via domain-led packages, with the goal of cross selling hosting and email marketing solutions to customers who purchase domain names.

For the brands that we do not market actively, we are planning price increases, and operational streamlining across a number of brands in order to improve cash flow. Finally, as expected, we continue to see higher than normal levels of churn associated with most of the non-strategic and gateway products launched in the last 18 months.

We continue to concentrate primarily on the opportunities in our key brands—we are placing emphasis on fewer, more focused initiatives this year, and laying important foundations as we seek to capture opportunities in the market while building scale and increasing cash flows. We are excited about our plans, and we appreciate your continued support.

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.

Slide 9 Our results reflect our continued commitment to profitable growth and healthy growth in free cash flow. I am pleased to review our Q1 fiscal 2017 results:

- GAAP revenue was \$295.1 million;
- Adjusted EBITDA was \$80.1 million; and
- Free cash flow, defined as cash flow from operations, less cap ex and capitalized leases, was \$22.4 million.

On a segment basis, Web Presence revenue totaled \$197.3 million, flat with the same period a year ago. Revenue growth in our key web presence brands was positive, while our non-key brands continued to result in drag to the top line. Email Marketing revenue totaled \$97.8 million. Compared to the same period a year ago, the email marketing segment grew approximately 4% year over year after adjusting for the pre-acquisition period and the impact of the Constant Contact related purchase accounting

adjustments in Q1 of fiscal 2016. The Web Presence segment contributed \$42.4 million and the Email Marketing segment contributed \$37.7 million to adjusted EBITDA in Q1 2017.

GAAP cash flow from operations was \$33.7 million. Capex in Q1 2017 was \$11.3 million, or 3.8 percent of GAAP revenue, and free cash flow of \$22.4 million was significantly higher year over year. As a reminder, last year in Q1 fiscal 2016, Q1 cash flow from operations and free cash flow were impacted by higher transaction and restructuring expenses of approximately \$35 million. During Q1 of 2017, we had approximately \$5.6 million in restructuring expense related to the consolidation of our support centers and Constant Contact-related restructuring. The related impact to free cash flow from this restructuring was just over \$3 million. Also, during the quarter, the company made a semi-annual interest payment of approximately \$19 million on its high-yield debt. And finally, the interest payment on the company's incremental term loan was approximately \$11 million in Q1 2017 versus \$1.4 million in Q1 of fiscal 2016.

Slide 10 Looking at the reported pro forma results which represent a full quarter of Constant Contact contribution in Q1 fiscal 2016, revenue grew 6% year over year. During the same period, adjusted EBITDA grew 70% year over year. Note that the Q1 fiscal 2016 pro forma results reflect the negative impact of a purchase accounting adjustment of approximately \$13.7 million on revenue and adjusted EBITDA related to the Constant Contact acquisition. Year over year growth rates would have been lower if factoring in the purchase accounting adjustment.

Slide 11 Turning now to operating metrics, we ended Q1 2017 with approximately 5.304 million subscribers. Total subscribers decreased by approximately 67,000 from the end of last quarter. Combined average revenue per subscriber (ARPS) was \$18.43. ARPS for the web presence segment was \$13.71 and for the email marketing segment was \$60.31. ARPS for both segments was slightly higher sequentially.

As noted before, given the reallocation of marketing spend to our key brands, we expect to continue to see subscribers churn out from our non-strategic and discontinued brands. As a result, we expect a net subscriber loss for 2017. We also expect to see pressure on average revenue per subscriber from certain domain-led offers that became more significant in 2016. In these offers, domain names are bundled with other lower-priced services such as domain privacy, email, or products such as basic hosting. We believe expanding our funnel is important, but we have seen subscriber profiles for these offers differ from our traditional hosting subscribers.

A breakdown of our revenue mix during Q1 2017 is as follows:

- Hosting services and add-ons such as security, mobile optimization, and e-commerce integration represented approximately 49 percent of our revenue;
- email marketing was approximately 33 percent;
- domain registrations approximately 12 percent;
- and the remainder of the business, such as domain monetization and co-marketing funds, accounted for approximately 5 percent.

Slide 12 For the full year 2017, we are confirming our previous guidance of:

- GAAP revenue growth of 4 to 5 percent;
- Adjusted EBITDA growth of 12 to 14 percent; and
- Free cash flow growth of approximately 35 percent. We expect free cash flow will be negatively impacted by approximately \$11 million of restructuring and integration charges during 2017.

Separately, we continue to expect that for the full year 2017 our key uses of cash will be:

- Capital expenditures, including capitalized leases, of between \$50 - \$55 million;
- Principal term loan debt pay down of at least \$100 million;
- Deferred consideration and related payments of approximately \$30 million.

Slide 13 We ended Q1 2017 with \$2,047 million in total senior debt. Including other deferred obligations and capital leases, total net debt at the end of the period was \$2,064 million. We ended the quarter with approximately \$69 million of cash on the balance sheet. Our revolving credit facility remains at a zero balance and we maintain an available credit balance of \$165 million.

Turning now to our calculation of bank adjusted EBITDA as defined in our credit agreement, our senior debt covenants are based on last twelve-months bank adjusted EBITDA, which was \$362.8 million in Q1 2017. Our senior debt leverage ratio was 4.50x bank adjusted EBITDA at Q1 quarter end. We remain well below our maximum senior secured leverage ratio of 6.25x. We are still committed to reducing our secured debt to bank adjusted EBITDA leverage ratio to less than 4x in the medium term.

In conclusion, we will remain focused on investments that will allow us to serve the SMB market for years to come. We believe we are positioned to do so, while generating strong free cash flow, which will give us the flexibility to focus on de-levering and maintaining a balanced investment approach. Thank you for joining us today, and now I'll turn the call back to the operator to begin Q&A.