



**ENDURANCE**  
International Group

# Q2 2014 EARNINGS PRESENTATION

August 7, 2014



# FORWARD LOOKING STATEMENTS AND OTHER IMPORTANT CAUTIONS

Statements in this presentation which are not statements of historical fact, including but not limited to statements concerning our expected future growth opportunities, our investment priorities, our financial guidance for fiscal year 2014 (including the third quarter of fiscal year 2014), our long term annual growth rate expectations and our expectations regarding our future financial and operating performance, are “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995). These forward-looking statements are based on our current expectations and beliefs, as well as a number of assumptions concerning future events. These statements are subject to risks, uncertainties, assumptions and other important factors set forth in our SEC filings, many of which are outside our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include: the rate of growth of the 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; 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; our inability to integrate recent or potential future acquisitions; the business risks of international operations; the loss or unavailability of any of our co-located data centers; our recognition of revenue for subscription-based services over the term of the applicable subscriber agreement; the occurrence of security or privacy breaches; and adverse consequences of our substantial level of indebtedness.

You are cautioned to not place undue reliance on such forward-looking statements because actual results may vary materially from those expressed or implied. All forward-looking statements are based on information available to us on this date and we assume no obligation to, and expressly disclaim any obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation includes 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 presentation or to be part of this presentation.

# AGENDA



Hari Ravichandran  
**Founder, CEO**

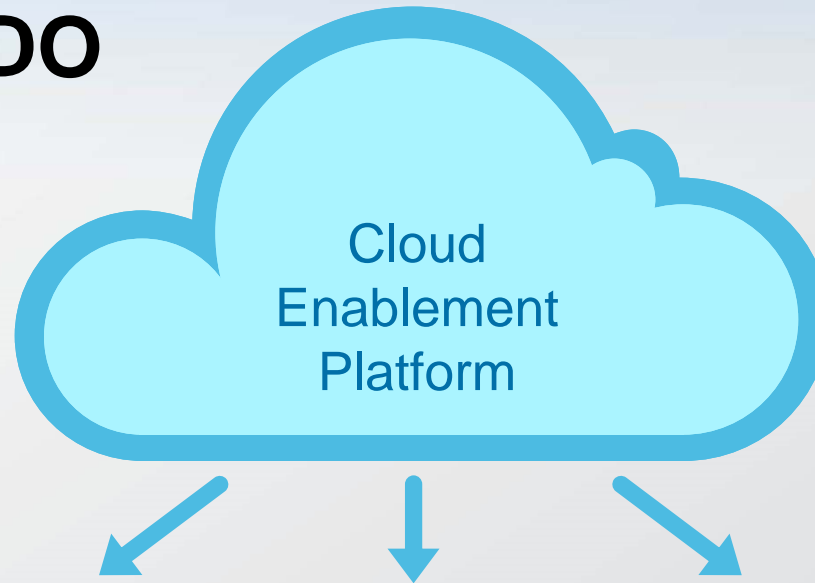


Tiv Ellawala  
**CFO**

- Overview & Growth Initiatives
- Q2 Results and Guidance
- Supplemental Information

# OVERVIEW

# WHAT WE DO



## We Get Them Online

- Domains
- Email
- Site Builders
- Shared Hosting
- Security
- Site Backup



## We Get Them Found

- Mobile
- AdWords
- SEM / SEO Services
- Social Media
- BI and Analytics



## We Help Them Grow

- Virtualized / Managed Hosting
- Email Marketing
- Productivity Solutions
- eCommerce
- Professional Services

# HOW WE DO IT

Growing  
Subscribers



Multi-Channel



Multi-Brand

- 500,000+ online partners
- Success-based marketing

- Better conversion
- Better segmentation

Growing  
ARPS



Multi-Product



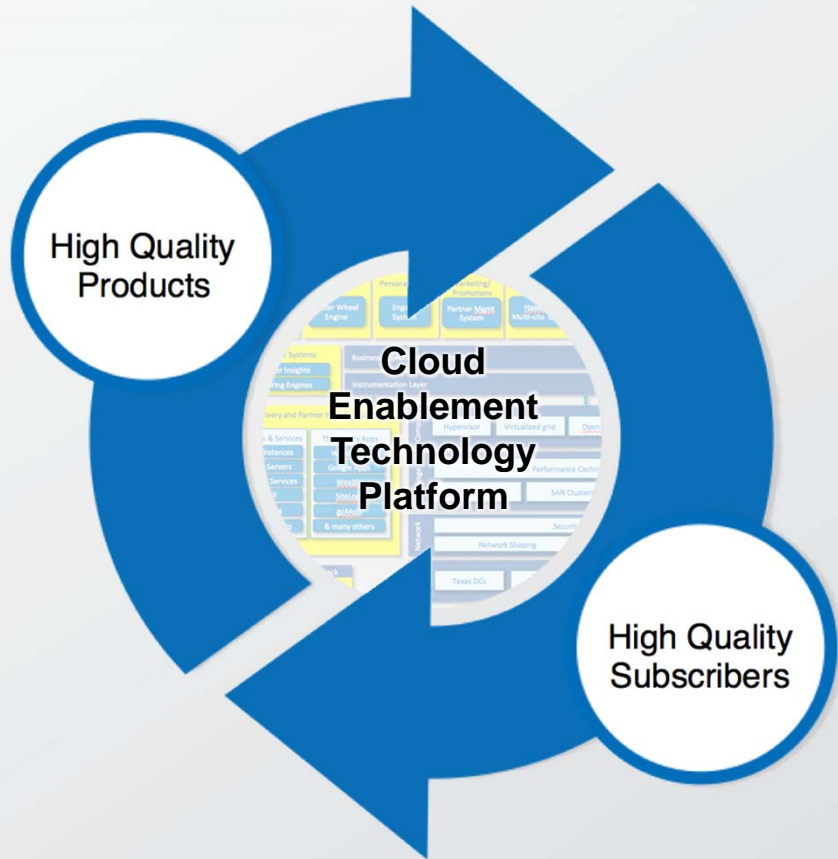
Multi-Engagement

- Most current products
- Higher priced products

- Better adoption rates
- Better customer education



# THE ENDURANCE DIFFERENCE



Best in class  
Cloud Enablement Technology Platform

attracts

High quality **Subscribers** who  
view web presence as mission critical

who demand

High quality **Products** that  
drive revenue growth

## SUPERIOR PERFORMANCE

When combined, these advantages  
yield **SUPERIOR PERFORMANCE**

# Q2 2014 BUSINESS HIGHLIGHTS



## Exceeded guidance and consensus

- Adjusted Revenue of \$159.0M, Adjusted EBITDA of \$56.5M, Unlevered Free Cash Flow (UFCF) of \$43.6M and Free Cash Flow (FCF) of \$29.5M
- Incremental marketing spend drove net new subscriber growth while improvements in distribution created strong demand for additional products



## Increased total subscribers on platform and grew ARPS

- Added 93,000 paying subscribers in Q2, bringing the total to over 3.7M
- Grew ARPS by \$1.32 to \$14.33 for Q2'14 vs. \$13.01 in Q2'13.
- Excluding Directi, grew ARPS by \$0.34 to \$13.35 for Q2'14 vs. \$13.01 in Q2'13
- Maintained favorable 99% MRR renewal rate



## Continued focus on drivers of the business

- Subscriber growth driven by word of mouth advocacy and growing network of over 500,000 referral partners, as well as expanding partnerships
- ARPS increases driven by new product introductions, increases in take rate and increases in high-ARPS subscribers

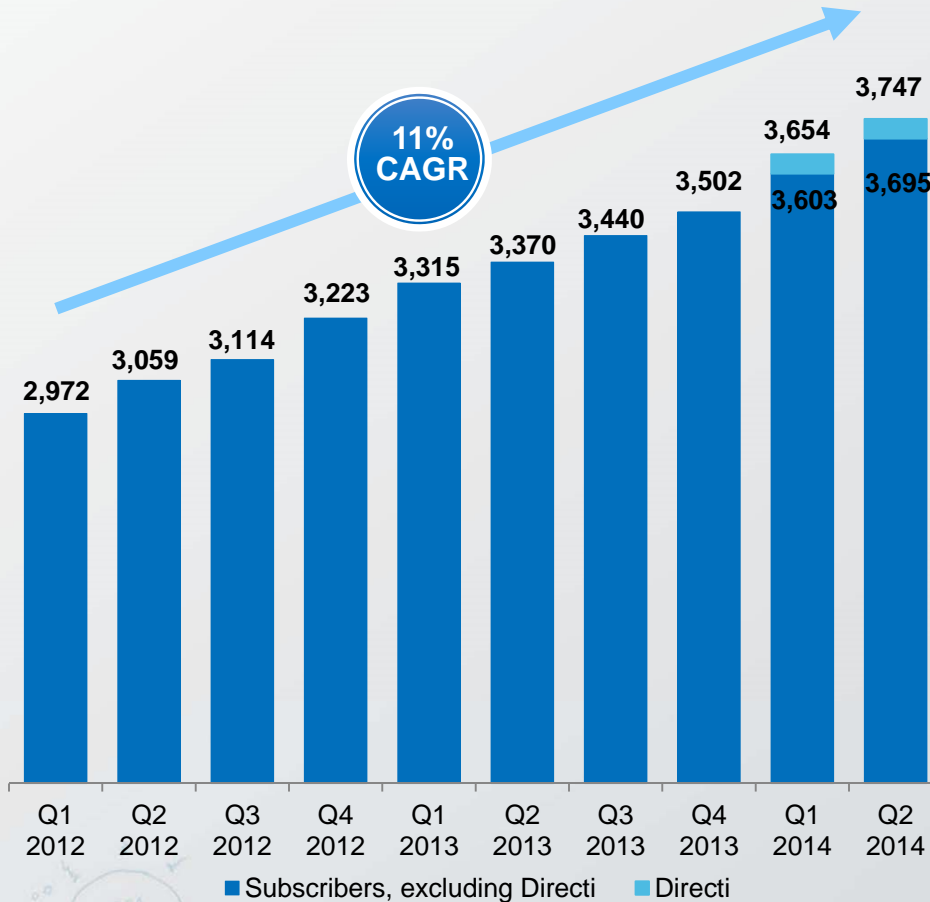


# SECOND QUARTER RESULTS & GUIDANCE

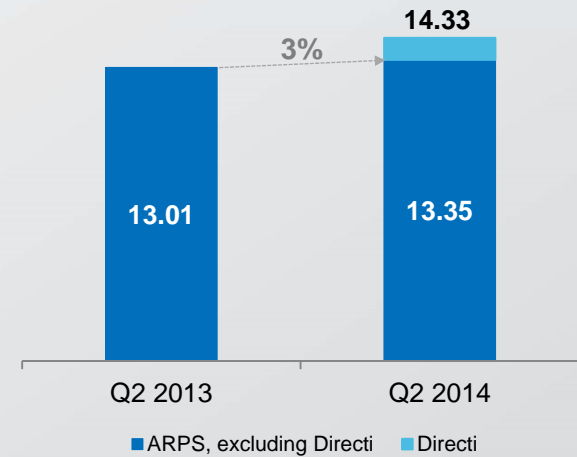
# Q2 2014 OPERATING METRICS

## Total Subscribers ('000s)

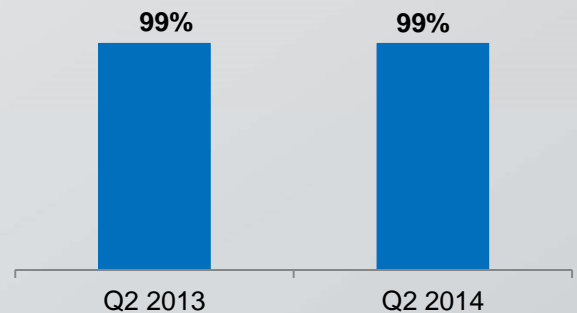
Added 92,000 subscribers in Q2 (excluding Directi)



## ARPS (\$)



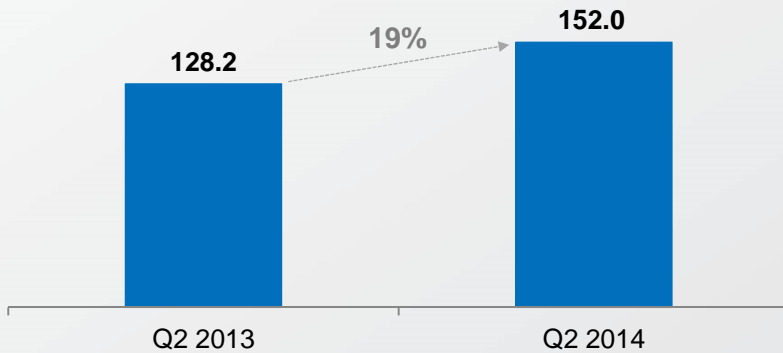
## MRR Retention Rate



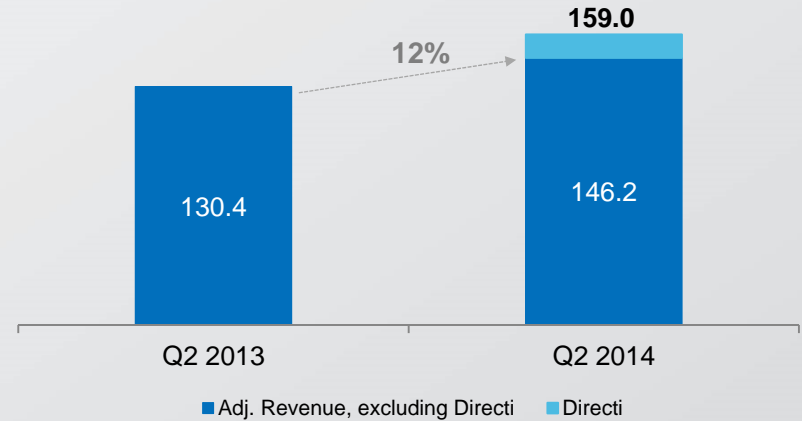
Subscriber data is pro-forma for acquisitions and represents growth in subscribers excluding the impact of Directi, except where noted

# Q2 2014 KEY FINANCIAL METRICS

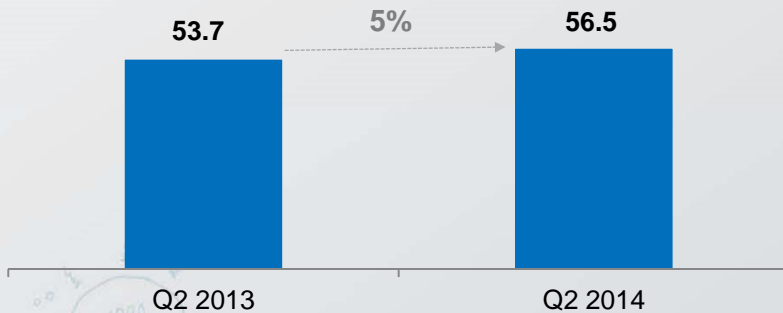
## GAAP Revenue (\$M)



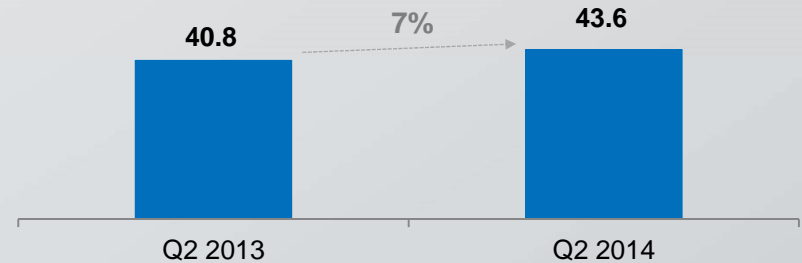
## Adj. Revenue (\$M)



## Adj. EBITDA (\$M)

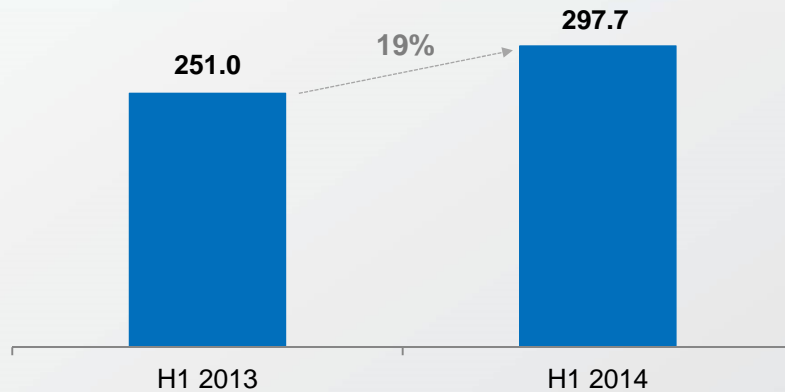


## UFCF (\$M)

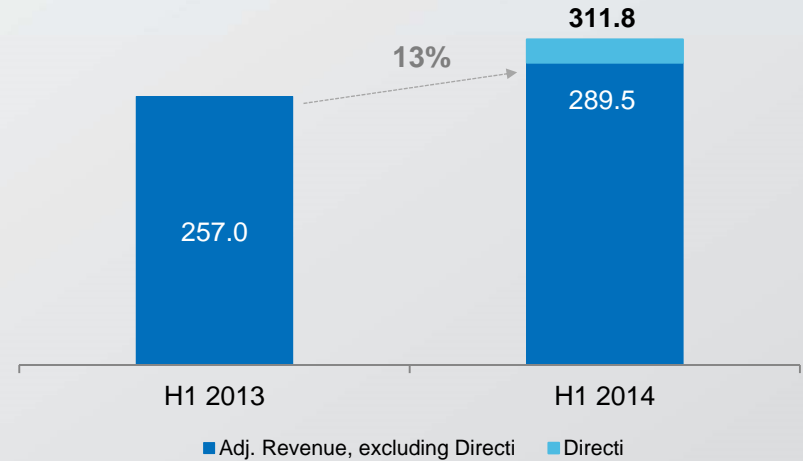


# H1 2014 KEY FINANCIAL METRICS

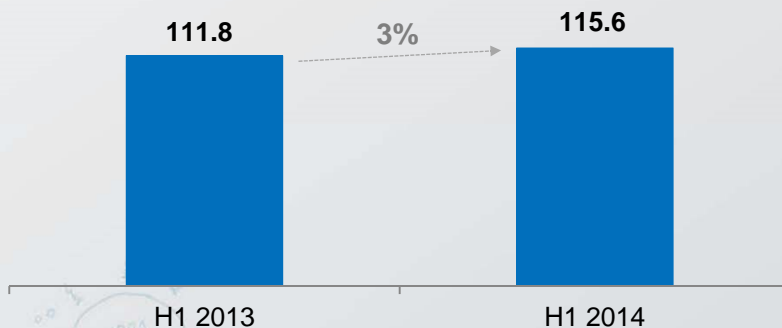
## GAAP Revenue (\$M)



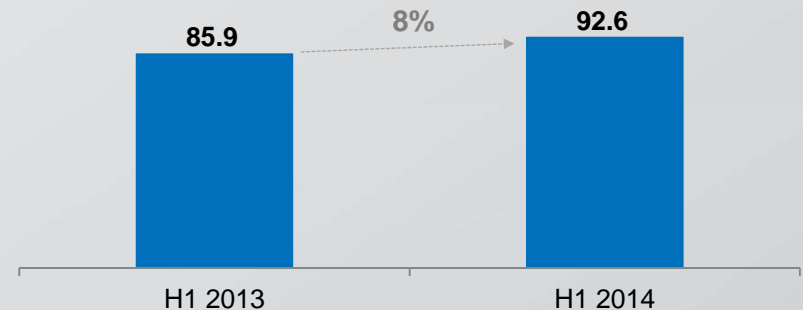
## Adj. Revenue (\$M)



## Adj. EBITDA (\$M)



## UFCF (\$M)



# CAPITALIZATION & DEBT

	March 31, 2014	June 30, 2014
Revolver	\$0	\$33
First Lien Debt	1,045	1,042
<b>Total Senior Debt</b>	<b>\$1,045</b>	<b>\$1,075</b>
Deferred Purchase Obligations	63	18
Capital Lease	11	10
<b>Total Debt</b>	<b>\$1,119</b>	<b>\$1,103</b>
Cash	54	26
<b>Net Debt</b>	<b>\$1,065</b>	<b>\$1,077</b>
	<b>LTM Q2 2014</b>	<b>Guidance 2014</b>
<b>Adjusted EBITDA</b>	<b>\$212</b>	<b>\$230-235</b>

Numbers in \$M

# CURRENT AND FUTURE GUIDANCE

## Prior Guidance

	Q2 2014 Actuals	Q2 2014 Guidance	FY 2014	Long Term Annual Growth
<b>Adjusted Revenue</b>	\$159M	\$154 - 156M	\$637 - 642M	Mid-teens
<b>Adjusted EBITDA</b>	\$56M	\$54 - 56M	\$230 - 235M	High-teens
<b>Unlevered FCF</b>	\$44M	\$41 - 43M	\$180 - 190M	High-teens

## New Guidance (at August 7, 2014)

	Q3 2014 Guidance	FY 2014	Long Term Annual Growth
<b>Adjusted Revenue</b>	\$161 - 164M	\$639 - 643M	Mid-teens
<b>Adjusted EBITDA</b>	\$55 - 57M	\$230 - 235M	High-teens
<b>Unlevered FCF</b>	\$42 - 44M	\$180 - 190M	High-teens

Figures above are estimates based on our expectations as of the date of this presentation.



# GROWTH INITIATIVES

# INVESTMENT PRIORITIES FOR GROWTH

1

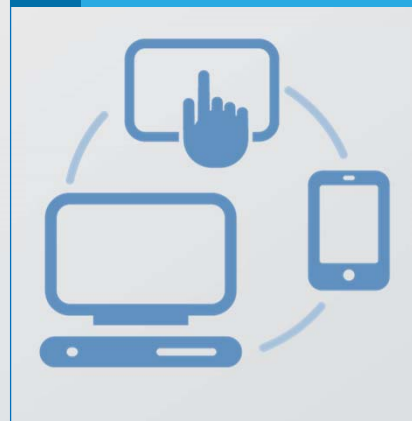
Technology Platform



2 Domains



3 Mobile



4 International



5 Distribution



# SUPPLEMENTAL INFORMATION

# SUMMARY BALANCE SHEET

(\$M)	March 31, 2014	June 30, 2014
Cash & Cash Equivalents	51.8	23.9
Restricted Cash	2.3	1.8
Other Current Assets	68.9	77.3
<b>Total Current Assets</b>	<b>123.0</b>	<b>103.0</b>
Property & Equipment – Net	63.2	62.1
Goodwill & Other Intangible Assets – Net	1,480.1	1,477.0
Other Assets	17.1	32.4
<b>Total Assets</b>	<b>1,683.4</b>	<b>1,674.5</b>

(\$M)	March 31, 2014	June 30, 2014
Accounts Payable & Accrued Expenses	50.6	48.5
Deferred Revenue	286.5	305.2
Other Liabilities	56.4	56.1
Notes Payable	1,044.8	1,075.1
Deferred Consideration	62.5	17.7
<b>Total Liabilities</b>	<b>1,500.8</b>	<b>1,502.6</b>
Redeemable Non-Controlling Interest	21.3	21.9
Shareholders' Equity	161.3	150.0
<b>Total Liabilities, Redeemable Non-Controlling Interest &amp; Shareholder's Equity</b>	<b>1,683.4</b>	<b>1,674.5</b>

# NON – GAAP RECONCILIATION STATEMENT

	Three months Ended 06/30	
	2013	2014
Revenue	128	152
Purchase accounting adjustment	2	7
Pre-acquisition revenue from acquired properties	-	-
<b>Adjusted revenue</b>	<b>130</b>	<b>159</b>
Total subscribers (in 000s)	3,370	3,747
<b>ARPS</b>	<b>13.01</b>	<b>14.33</b>
Adjusted revenue attributable to Directi acquisition	-	13
<b>Adjusted revenue excluding revenue attributable to Directi acquisition</b>	<b>130</b>	<b>146</b>
Total subscribers excluding subscribers attributable to Directi acquisition (in 000s)	3,370	3,695
<b>ARPS excluding Directi acquisition</b>	<b>13.01</b>	<b>13.35</b>
Net loss	(43)	(16)
Stock-based compensation	-	4
(Gain) loss on sale of property and equipment	-	-
(Gain) loss of unconsolidated entities	-	-
Amortization of intangible assets	26	25
Amortization of deferred financing costs	0	0
Changes in deferred revenue (inclusive of impact of purchase accounting for Directi)	14	12
Transaction expenses and charges	5	1
Integration and restructuring expenses	15	8
Tax-affected impact of adjustments	(2)	(3)
<b>Adjusted net income</b>	<b>\$15</b>	<b>31</b>
Depreciation	5	8
Income tax expense (benefit)	12	3
Interest expense, net (net of impact of amortization of deferred financing costs)	22	14
<b>Adjusted EBITDA</b>	<b>54</b>	<b>56</b>
Change in operating assets and liabilities, net of acquisitions	(6)	(5)
Capital expenditures (1)	(6)	(7)
Income tax (excluding deferred tax)	(1)	-
<b>Unlevered free cash flow</b>	<b>41</b>	<b>44</b>
Net cash interest paid (net of change in accrued loan interest)	(21)	(14)
<b>Free Cash Flow</b>	<b>20</b>	<b>30</b>

(1) Capital expenditures during the three months ended June 30, 2014 includes \$0.9 million of payments under a three year capital lease for software of \$11.7 million beginning in January 2014. The remaining balance on the capital lease is \$9.9 million.

# NON-GAAP FINANCIAL MEASURES

Adjusted net income, adjusted EBITDA, unlevered free cash flow, free cash flow, adjusted revenue, average revenue per subscriber, and net debt are non-GAAP financial measures and should not be considered as alternatives to net income, revenue or any other measure of financial performance calculated and presented in accordance with GAAP. We believe these non-GAAP financial measures are helpful to investors because we believe they reflect the operating performance of our business and help management and investors gauge our ability to generate cash flow, excluding some recurring and non-recurring expenses that are included in the most directly comparable measures calculated and presented in accordance with GAAP.

**Adjusted Net Income** - Adjusted net income is a non-GAAP financial measure that we calculate as net income (loss) plus (i) changes in deferred revenue inclusive of purchase accounting adjustments related to acquisitions, amortization, stock-based compensation expense, loss of unconsolidated entities, net loss on sale of property and equipment, expenses related to integration of acquisitions and restructurings, any dividend-related payments accounted for as compensation expense, transaction expenses and charges including costs associated with certain litigation matters, and preparation for our initial public offering, less (ii) earnings of unconsolidated entities and net gain on sale of property and equipment and (iii) the estimated tax effects of the foregoing adjustments. Due to our history of acquisitions and financings, we have incurred accounting charges and expenses that obscure the operating performance of our business. We believe that adjusting for these items and the use of adjusted net income is useful to investors in evaluating the performance of our company.

**Adjusted EBITDA** - Adjusted EBITDA is a non-GAAP financial measure that we calculate as adjusted net income plus interest expense, depreciation, amortization and income tax expense (benefit). We manage our business based on the cash collected from our subscribers and the cash required to acquire and service those subscribers. We believe highlighting cash collected and cash spent in a given period is valuable insight for an investor to gauge the overall health of our business. Under GAAP, although subscription fees are paid in advance, we recognize the associated revenue over the subscription term, which does not fully reflect short-term trends in our operating results.

**Unlevered Free Cash Flow** - Unlevered free cash flow, or UFCF, is a non-GAAP financial measure that we calculate as Adjusted EBITDA plus change in operating assets and liabilities (other than deferred revenue) net of acquisitions, less capital expenditures and income taxes excluding deferred tax. We believe the most useful indicator of our operating performance is the cash generating potential of our company prior to any accounting charges related to our acquisitions. We also invest in marketing, our largest operating expense, which may increase or decrease in a given period, depending on the cost of attracting new subscribers to our solutions. We also believe that because our business has meaningful data center and related infrastructure requirements, the level of capital expenditures required to run our business is an important factor for investors. We believe UFCF is a useful measure that captures the effects of these issues.

**Free Cash Flow** - Free cash flow, or FCF, is a non-GAAP financial measure that we calculate as UFCF less interest expense. We believe that this presentation of FCF provides investors with an additional indicator of our ability to generate positive cash flows after meeting our obligations with regard to payment of interest on our outstanding indebtedness.



# NON-GAAP FINANCIAL MEASURES (CONT.)

**Adjusted Revenue** - Adjusted revenue is a non-GAAP financial measure that we calculate as GAAP revenue adjusted to exclude the impact of any fair value adjustments to deferred revenue resulting from acquisitions and to include the revenue generated from subscribers we added through business acquisitions. Historically, we adjusted the amount of revenue to include the revenue generated from subscribers we added through business acquisitions as if those acquired subscribers had been our subscribers since the beginning of the period presented. Since the first quarter of 2014, we have adjusted the amount of revenue to include the revenue generated from subscribers we add through business acquisitions from the date of the relevant acquisition. We believe that excluding fair value adjustments to deferred revenue is useful to investors because it shows our revenue prior to purchase accounting charges related to our acquisitions, and that including revenue from acquired subscribers in this manner provides a helpful comparison of the revenues generated from our subscribers from period to period.

**Total Subscribers** - We define total subscribers as those that, as of the end of a period, are subscribing directly to our web presence solutions on a paid basis. Historically, in calculating total subscribers, we include the number of end-of-period subscribers we added through business acquisitions as if those subscribers had subscribed with us since the beginning of the period presented. Since the first quarter of 2014, we have included subscribers we added through business acquisitions from the date of the relevant acquisition. We believe including acquired subscribers in this manner provides a useful measure of the number of subscribers we added during a period. We do not include in total subscribers accounts that access our solutions via resellers or purchase only domain names from us. Subscribers of more than one brand are counted as separate subscribers. We believe total subscribers is an indicator of the scale of our platform and our ability to expand our subscriber base, and is a critical factor in our ability to monetize the opportunity we have identified in serving the SMB market.

**Average Revenue Per Subscriber** - Average revenue per subscriber, or ARPS, is a non-GAAP financial measure that we calculate as the amount of adjusted revenue we recognize in a period divided by the average of the number of total subscribers at the beginning of the period and at the end of the period. We believe ARPS is an indicator of our ability to optimize our product and service mix and pricing, and to sell products and services to new and existing subscribers.

**Net Debt** - Net debt is a non-GAAP financial measure that we calculate as total debt (which is the sum of short and long term notes payable, deferred consideration and capital lease obligations) less cash and cash equivalents. We use net debt to evaluate our capital structure.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to adjustments for integration and restructuring expenses. In addition, there are limitations in using non-GAAP financial measures because they are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on our reported financial results. Furthermore, interest expense, which is excluded from some of our non-GAAP measures, has and will continue to be for the foreseeable future a significant recurring expense in our business. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. We urge you to review the reconciliations of our non-GAAP financial measures to the comparable GAAP financial measures included with this presentation, and not to rely on any single financial measure to evaluate our business.