ENDURANCE
International Group

The following prepared remarks are an excerpt from the 2015 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.

Statements in these prepared remarks which are not statements of historical fact, including but not limited to statements concerning our expected future growth and growth opportunities, the proportion of our growth that we expect to come from organic growth versus mergers and acquisitions, our investment priorities and anticipated uses of cash, our financial guidance for fiscal year 2015 (including the second quarter of fiscal year 2015), our long term 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 of 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 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; 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 agreement; the occurrence of security or privacy breaches; and adverse consequences of our substantial 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 May 5, 2015, the date of the Earnings Conference Call, 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.

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 the 2015 First Quarter earnings release and presentation, each dated May 5, 2015, and available in the investor relations section of our website at www.endurance.com.

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Angela White – Director, Investor Relations

Hi this is Angela White, Director of Investor Relations at Endurance International Group. It is my pleasure to welcome you to our first quarter 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-K filed with the SEC on February 27, 2015 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, unlevered free cash flow (uFCF), free cash flow (FCF), 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 at the investor relations section of our website.

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

Hari Ravichandran – Founder, President and CEO

(Slide 4) Thanks Angela, good morning everyone, and welcome to our first quarter 2015 earnings call.

We are pleased to report financial results that came in higher than expectations. We are very focused on execution, both in our core business and in our efforts to integrate and synergize our acquisitions. We believe this focus is critical to driving our financial performance every quarter. During Q1 2015, we exceeded the top end of adjusted revenue guidance by $0.7 million, and posted year over year adjusted revenue growth of 17%. We also exceeded the top end of our adjusted EBITDA guidance by $1.6 million and posted year over year growth of 14%. Unlevered free cash flow for Q1 2015 was $59.9 million, growing 22% year over year, and following cash interest payments of $14.1 million in the quarter, free cash flow was $45.8 million, growing 29% year over year.

In Q1 2015, subscribers on our platform reached 4.2 million, an increase of 119,000 over Q4 2014. In addition, we saw our average revenue per subscriber ("ARPS") grow to $14.37. Once again, we saw a seasonally high number of net adds in Q1 as more SMBs came online in the new calendar year. This is a typical trend in our business, and the first quarter of the year tends to be the strongest net subscriber additions quarter.

(Slide 5) We continue to work toward our vision of helping small businesses establish a digital presence through a variety of products and services. Today, we on-board SMBs and help them create an online web presence through multiple entry points including hosting solutions, web builders, content management solutions, mobile solutions and commerce solutions. We aim to be the ubiquitous web presence platform for SMBs and believe that if we can provide complete, yet simple-to-use solutions, in a reliable and affordable manner, we can continue to build on our success.

We continue to identify five key areas to focus on building upon our success to date and supporting our key growth drivers of subscriber and ARPS growth.

- First let's discuss our technology platform. At the end of the quarter we beta-launched the next version of our cloud platform, which we mentioned on our year-end call. In the coming year, we will continue investing in this effort, converting key products to be fully cloud-enabled and enabling faster, more consistent performance for our subscribers through next generation shared hosting as well as a simplified developer-focused cloud. We also launched our new internally developed data management system for our sales floor and support staff across our major brands. We believe this launch will enhance product distribution and upsell via a view of more detailed, pertinent subscriber information that can be used in real time.
- Second, we remain focused on domains and the opportunity they provide as an element of the online experience. We don't deploy domains as a lead-in product to attract subscribers to our platform. Instead we focus on attracting subscribers to our web presence solutions and use domains as an additional upsell opportunity. We continue to invest in and improve our domain name management tools across all our major brands and continue to roll-out the premium domains offering we acquired last year across our major brands. We also plan to make any new top level domains available to our subscribers as ICANN releases them. We continue to expect that domains, which last year were between 15% and 20% of our revenue mix, will grow in line with the rest of our web presence business.
- Third, as we look to be a solutions provider across screens of all sizes, we continued to expand into mobile. We continued to promote and add content to *Business on Tapp,* our mobile engagement application. Since initial launch in January, we have had over 50,000 downloads of the app. We are also working on formally launching our mobile app builder in the summer. Our app builder will allow a small business to create an app for its business within minutes in a highly automated and templatized manner. We expect our app builder will provide a new avenue for SMBs to create an online web presence and create yet another new market opportunity for us.
- Fourth, we continued our international expansion. Last year, our total billings from non-US subscribers grew to approximately 36% of total billings, an increase from approximately 30% of total billings the prior year. Brazil, India, and China remain the focus of our international efforts in 2015. All three geographies showed greater revenue growth than the rest of our business in Q1. We are in the process of building out teams, on-boarding channels and support capabilities in these geographies. During Q1, we also launched our first Spanish language site targeted at Mexico under the HostGator brand.
- Finally, let's discuss our fifth initiative, enhancing distribution. During the quarter we continued to focus on improving our distribution tools and analytics to help us get the most relevant offers in front of our subscribers at the most opportune time. We are also making improvements to our core

platform to be able to support and distribute complex e-commerce and marketing solutions more effectively. Our partnerships with leading providers for e-commerce and marketing solutions, including Constant Contact, continue to show great promise.

We believe we are in front of a large opportunity in the SMB space to help SMBs get online. We also believe that scale players can continue to grow share via different offers and approaches. Our approach to taking advantage of this opportunity in the highly fragmented SMB space has been through a combination of investments in our core business and through allocation of capital towards M&A. In Q1, we focused on integrating our late 2014 acquisitions, starting the migration planning to bring subscribers on to our platform, launching our own site builder brands, and consolidating teams into our Burlington location.

Our long-term expectations for the business are based on a framework of high teens to low 20s percentage annual top line growth. We are focused on balancing growth investment and free cash flow generation, and constantly evaluate the optimal capital allocation opportunities in our market whether they be core growth initiatives, M&A opportunities, or other forms of driving shareholder returns such as debt pay-down or buybacks and dividends. This fiscal year, given the robust pipeline of targets that we see, we would expect to deploy our free cash flow to continue to support our M&A activity. We strive for optimal returns on cash allocation for our investors, and are excited about the opportunities in front of us. The combination of our predictable business model, and the initiatives that we have laid out, give us confidence in our ability to progress toward our goals.

With that, I will turn the call over to Tiv Ellawala, our CFO, who will review the financial and operating metrics in more detail.

Tiv Ellawala - CFO

Thanks, Hari. The business continues to deliver strong top and bottom line performance in a steady, predictable manner.

(Slide 6) During the quarter, our subscribers on platform grew to 4.2 million, an increase of over 119,000 from last quarter. As we increase our subscriber base, we remain highly focused on the quality of subscribers and improving marketing yields. Cash billings collected from new subscriptions grew on a year over year basis even as overall program marketing spend declined as we focused on new ways to grow our subscriber base.

During Q1 our ARPS grew to $14.37, or 1% higher than Q1 2014. The strong net subscriber additions which typically come with lower introductory pricing, as well as the impact of lower ARPS subscribers from our Arvixe acquisition in Q4 2014, affected our ARPS growth on a year over year basis. We expect ARPS growth to normalize as we complete the integration of acquired subscribers and drive our upsell and cross sell opportunities as we have done in the past. We remain comfortable with on boarding new subscribers at introductory pricing as long as we are improving marketing yields and subscriber acquisition costs as this allows us to keep our subscriber lifetime values near historical levels while on boarding new subscribers and driving scale.

The fundamentals behind our ARPS growth remain strong. Product attachment rates for our major brands increased, growing to an average of 4.8 products per subscriber in addition to an initial web presence subscription, up from 4.3 products per subscriber in Q1 2014. Second, the number of subscribers of our major brands who spend more than $500 per year with us increased to approximately 142,000, or 11,000 more than last quarter, and 36,000 more than Q1 2014, representing year over growth of 34%. Finally, our MRR retention rate was stable at 99%.

(Slide 7) Moving to our financial metrics, our adjusted revenue for the quarter was $178.7 million, $0.7 million above the top end of our guidance range of $175-$178 million. This represents year over year growth in adjusted revenue of 17%. Subscriber growth and integration of Q4 2014 acquisitions helped drive the over-performance. Adjusted EBITDA was $67.6 million, $1.6 million higher than the top end of our guidance, and reflected year over year growth of 14%. Adjusted EBITDA came in higher than expected due to better than expected revenue and lower marketing expense, which offset the increased investment in our data center infrastructure and in support, which we expect will drive better NPS scores and ultimately, better word of mouth referrals. Our unlevered free cash flow was $59.9 million, growing 22% year over year. Our free cash flow for the quarter was $45.8 million, growing 29% year over year as interest expense remained stable at $14.1 million and growth in adjusted EBITDA compounded growth in FCF. Our adjusted EBITDA, uFCF and free cash flow results include the add-back of certain items such as integration and restructuring costs, consistent with the methodology used in past results. In Q1, integration and restructuring costs came in at $1.4 million, slightly below the low end of our expectation of $1.5 million to $2.5 million. Additionally, our deferred revenue balance grew as expected this quarter. In the year ago period, deferred revenue was positively impacted by the add-back of purchase accounting related to the acquisition of Directi.

(Slide 8) Moving on to capital structure, our net debt stands at $1,074 million. Our revolver balance at the end of Q1 was $21 million vs. $50 million at the end of Q4 2014 as we repaid a net $29 million in borrowings in the quarter. Our cash balance at the end of Q1 2015 was $33 million. Based on our debt balance of $1.1 billion and the mid-point of our full year 2015 adjusted EBITDA guidance of $280 million, we are on track to achieve a 4.0x leverage ratio. Depending on deal flow and acquisition close timing, we expect our revolver balance to fluctuate throughout the rest of the year as we use debt and cash from operations to fund our acquisitions.

(Slide 9) This quarter we generated $50.2 million in cash flow from operations as defined by GAAP, up from $38.0 million in Q1 2014 reflecting 32% year over year growth. Our cash interest expense increased by $0.5 million to $14.1 million. After adjusting for capital expenditures of $8.2 million, we generated 4x as much cash flows this quarter as was required to pay our cash interest expense.

(Slide 10) Let’s move to guidance.

We expect the following for FY 2015 results:

- Adjusted revenue of $745 - $755 million, or 14% to 16% year over year growth.

- Adjusted EBITDA of $275 - $285 million, or 17% to 21% year over year growth
- Unlevered Free Cash Flow of $220 - $230 million, or 14% to 19% year over year growth

We expect to invest any over-performance in adjusted EBITDA and uFCF back in to the business to drive subscriber additions and top line performance.

We plan to update guidance for new deals as they come to fruition over the course of the year. Our pipeline for acquisitions remains strong. Additionally, during fiscal 2015, we expect cap ex spend of approximately 5% of adjusted revenue.

For the period ending June 30, 2015, we expect the following:

- Adjusted revenue of $181 - $183 million, or 14% to 15% year over year growth
- Adjusted EBITDA of $60 - $62 million, or 6% to 10% year over year growth

With that I will turn the call over to Hari for some additional comments.

Hari Ravichandran – CEO

Thanks Tiv. At this time, I'd love to take a few minutes to clarify some issues that may have come to your attention regarding our financials and operations. As part of this clarification, we will disclose certain data which we may not disclose in future periods.

First, I would like to re-iterate that we are a highly cash generative company. During FY2014 we generated almost $143 million in cash flow from operations as defined by GAAP, and did so after paying out over $56 million in cash interest expense on our bank debt and revolving credit facility. After adjusting for our capital expenditures of approximately $28 million, during the course of FY2014 we generated 3x more cash than was required to pay our interest expenses. Given the growth profile in our business, our business model, and our proven ability to generate cash, we are confident in our future prospects and in our ability to meet our obligations to our subscribers and lenders.

Second, we continue to invest in our platform to drive great subscriber experiences as reflected by our Net Promoter Scores ("NPS"). On a GAAP basis, during FY2014, we spent 61% of our GAAP revenues (44% of our GAAP revenues excluding the amortization of acquisition intangibles) on cost of goods sold ("COGS"). Our COGS includes data center and network operations costs, engineering costs associated with our platform, as well as subscriber support costs. During this period we also spent 3% of revenue on Engineering and Development (E&D) activities which includes costs associated with developing new products and enhancing our systems. Our capital expenses, which are primarily associated with investments in our network, were over 4% of revenue. When comparing investments in technology across companies in our sector, we would urge investors to look at the definition of what expenses are included in COGS and in E&D across companies. In addition, from time to time we may acquire or invest in opportunities to enhance our product offering such as in the case of our $15 million investment in Automattic, the company behind WordPress, our $15 million investment in mobile app developer Appmachine, and our acquisition of Webzai, a developer of web builder products. We believe our investments in to our platform are sufficient and appropriate towards creating a long-term service that our subscribers value.

Third, we manage our business to cash collected versus cash spent. In our business, we bill a subscriber and collect cash for the entire subscription period at the time of initial billing. We begin servicing that subscriber immediately and pay a one-time bounty to a marketing partner shortly thereafter if that subscriber was referred to us by the marketing partner. We believe our definition of adjusted EBITDA represents how we operate the business, and we provide significant disclosure on the calculation of adjusted EBITDA in our earnings materials and in our SEC filings. We also believe other companies in our space have a similar view of adjusted EBITDA. We also look at our business on a cash flow basis and report cash flow metrics. We believe cash flow is the best way to evaluate our business, much like many other cash flow generative subscription businesses.

Fourth, given that we manage our business to cash flow, we believe the most appropriate way to evaluate our churn is to look at cash churn. To help with this, we report Monthly Recurring Revenue Retention Rate or MRR. MRR is a combination of both subscriber churn and of increases in cash collected from subscribers as we sell more products to them. Our MRR has consistently been approximately 99% or 1% monthly cash churn or approximately 12% annually. Our pure subscriber churn in 2014 was approximately 20% annually.

Fifth, we have been very clear with investors regarding the impact of Directi on our Average Revenue per Subscriber per month ("ARPS"). During each quarter in FY14, we broke our ARPS with and without Directi in our earnings materials and in our SEC filings. We have been very clear in our subscriber definition that we count only a direct billing relationship as a subscriber. In some instances such as with Directi, our subscriber base consists of resellers and in those instances we count only the reseller and not the re-solds as a subscriber since we only have a direct billing relationship with the reseller. We believe this methodology allows us to quantify our subscriber base most effectively. Further, our ARPS is calculated using the average number of subscribers in a given period. Going forward, we will provide investors not only the ending subscribers in a period but also the average during that period.

Sixth, we are a fairly acquisitive company and grow through both our core business and acquisitions. We look at every business opportunity available to us from a capital deployment perspective, and then deploy our capital on what we believe to be the best ROI. Consequently, we are equally as comfortable investing back in our business as we are acquiring another business based on ROI. In instances where we have deployed significant capital on M&A, we have clearly reported the performance of the acquired business separate from the core business on a quarterly basis. During FY14, on an adjusted revenue basis our total growth was 23%. Excluding the impact of Directi, which was an acquisition with significant capital commitments and far reaching consequences for our international strategy, our year over year growth was 14%. Going forward, we expect to do the same so investors can judge the performance of the significant acquired businesses as well as the performance of the core business.

Seventh, we have neither bought, nor acquired an equity interest in Radix, a company that was formed by the founders of Directi to bid on new top level domains ("nTLDs"). Further, we have no obligation to purchase this company or make any equity investments in it in the future. We are very happy with the performance of the Directi business which operates out of both India as well as the UAE.

Eighth, we are happy to report we have met all Sarbanes-Oxley ("SOX") and related compliance requirements required of us. We are also well on our way to meeting SOX-related requirements for 2015 including completing compliance for newly acquired international businesses.

Ninth, in our S-1 and in subsequent public filings we have clearly stated the nature and extent of related party transactions. As disclosed in our SEC filings, my family owns Tregaron Holdings, and its related companies, Diya, Glowtouch Technologies, and Touchweb. In addition to providing services to other companies, these businesses provide some of our brands with subscriber support and engineering assistance. In FY2014, Endurance had $10.4 million in expenses related to purchasing services from these companies. These relationships started over a decade ago when Endurance was still a fledgling company. As shown by the disclosures in our public filings, the economic value of this relationship has been decreasing as a percentage of Endurance revenues as we have built our own support and engineering capabilities. We have also disclosed a second related party relationship between Endurance and Innovative Business Services (IBS). Endurance offers Sitelock, a security product for SMBs developed by IBS, across its brands under a revenue share arrangement. One of our board members, Tomas Gorny and I are shareholders in IBS. Revenue share payments to IBS related to Sitelock totaled $5.4 million in FY14. The revenue share between Endurance and IBS for Sitelock has been set at 55%/45% in favor of Endurance.

Finally, I want to be very clear with you that Endurance's policy is to comply with rules of the Office of Foreign Assets Control (OFAC), as well as to take steps to minimize third party spam and malware. We host millions of websites and seek to screen out OFAC prohibited accounts both up-front, as part of the registration process, and in periodic screens of our customer base to identify and terminate any prohibited accounts, and report to OFAC as required.

As our stock has outperformed the market over the last several months, we can expect certain investors to take particular positions with our stock with a short term perspective. We value long term investors who are comfortable with highly cash flow generative businesses with solid future prospects. We have been in business for over 18 years and during that time have had several investors on both the equity and debt side who have consistently monitored, done appropriate diligence, and taken significant interests in our company. Our relationship with these investors is excellent and we have generated significant returns for their funds. Now, as a publicly traded company, we continue to be committed to building this business for the long term and hope many of you will be successful holders of our stock for many years to come.

Thank you for your time today, and your continued support. I'll now turn the call over to the operator to begin Q&A.