WEB.COM GROUP, INC.

FORM 10-Q
(Quarterly Report)

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Sector	Technology
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 000-51595

Web.com Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-3327894**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
12808 Gran Bay Parkway, West, Jacksonville, FL	**32258**
(Address of principal executive offices)	**(Zip Code)**

(904) 680-6600
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Common Stock, par value $0.001 per share, outstanding as of August 3, 2016 : 50,507,033

Web.com Group, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended June 30, 2016

Index

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Web.com Group, Inc.

Consolidated Statements of Comprehensive (Loss) Income
(in thousands, except per share amounts)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenue	$ 187,818	$ 135,719	$ 332,616	$ 268,319
Cost of Revenue	59,743	47,102	110,826	95,804
Gross profit	128,075	88,617	221,790	172,515
Operating expenses:				
Sales and marketing	58,448	35,680	100,459	71,359
Technology and development	15,533	5,858	24,611	11,660
General and administrative	23,465	18,273	43,129	35,484
Restructuring expense	778	22	914	335
Depreciation and amortization	22,273	13,849	38,186	27,593
Total operating expenses	120,497	73,682	207,299	146,431
Income from operations	7,578	14,935	14,491	26,084
Interest expense, net	(8,662)	(5,182)	(14,259)	(10,431)
Net (loss) income before income taxes	(1,084)	9,753	232	15,653
Income tax expense	(522)	(5,203)	(1,500)	(8,764)
Net (loss) income	$ (1,606)	$ 4,550	$ (1,268)	$ 6,889
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(891)	797	(1,207)	90
Unrealized (loss) gain on investments, net of tax	—	(4)	28	1
Total comprehensive (loss) income	$ (2,497)	$ 5,343	$ (2,447)	$ 6,980

See accompanying notes to consolidated financial statements

Web.com Group, Inc.

Consolidated Statements of Comprehensive (Loss) Income
(in thousands, except per share amounts)
(unaudited)
(continued)

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Basic (loss) earnings per share:				
Net (loss) income per basic common share	$ (0.03)	$ 0.09	$ (0.03)	$ 0.14
Diluted (loss) earnings per share:				
Net (loss) income per diluted common share	$ (0.03)	$ 0.09	$ (0.03)	$ 0.13
Basic weighted average common shares outstanding	49,293	50,362	49,334	50,616
Diluted weighted average common shares outstanding	49,293	52,435	49,334	52,510

See accompanying notes to consolidated financial statements

Web.com Group, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 8,950	$ 18,706
Accounts receivable, net of allowance of $1,677 and $1,815, respectively	19,356	12,892
Prepaid expenses	14,353	8,151
Deferred expenses	61,829	59,400
Other current assets	3,719	4,380
Total current assets	108,207	103,529
Property and equipment, net	58,880	41,963
Deferred expenses	50,271	50,113
Goodwill	854,295	639,145
Intangible assets, net	473,624	318,107
Other assets	12,784	4,482
Total assets	$ 1,558,061	$ 1,157,339
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 20,621	$ 9,974
Accrued expenses	17,118	13,303
Accrued compensation and benefits	11,501	13,765
Deferred revenue	238,526	219,187
Current portion of debt	12,016	11,169
Deferred consideration	19,073	—
Other liabilities	3,683	3,802
Total current liabilities	322,538	271,200
Deferred revenue	196,267	191,426
Long-term debt	693,570	411,409
Deferred tax liabilities	85,571	37,840
Other long-term liabilities	30,795	7,287
Total liabilities	1,328,741	919,162
Stockholders' equity:		
Common stock, $0.001 par value per share: 150,000,000 shares authorized, 50,634,010 and 50,683,717 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	51	51
Additional paid-in capital	572,735	565,648
Treasury stock at cost, 2,833,748 shares as of June 30, 2016 and 2,120,944 shares as of December 31, 2015	(58,247)	(44,750)
Accumulated other comprehensive loss	(3,327)	(2,148)
Accumulated deficit	(281,892)	(280,624)
Total stockholders' equity	229,320	238,177
Total liabilities and stockholders' equity	$ 1,558,061	$ 1,157,339

See accompanying notes to consolidated financial statements

Web.com Group, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities		
Net (loss) income	$ (1,268)	$ 6,889
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	38,186	27,593
Stock based compensation	10,200	10,184
Deferred income taxes	599	8,047
Amortization of debt discounts and issuance costs	6,685	5,620
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,758)	2,643
Prepaid expenses and other assets	(10,935)	(219)
Deferred expenses	(2,586)	1,002
Accounts payable	(1,585)	(373)
Accrued expenses and other liabilities	(519)	1,629
Accrued compensation and benefits	(7,375)	2,690
Deferred revenue	15,644	11,706
Net cash provided by operating activities	45,288	77,411
Cash flows from investing activities		
Business acquisitions	(303,262)	(475)
Capital expenditures	(8,306)	(7,911)
Other	(1,300)	—
Net cash used in investing activities	(312,868)	(8,386)
Cash flows from financing activities		
Stock issuance costs	(6)	(50)
Common stock repurchased	(3,233)	(2,302)
Payments of long-term debt	(32,500)	(47,500)
Proceeds from exercise of stock options	1,205	4,221
Proceeds from borrowings on long-term debt	200,000	—
Proceeds from borrowings on revolving credit facility	115,000	—
Debt issuance costs	(5,700)	—
Common stock purchases under stock repurchase plan	(16,909)	(29,975)
Net cash provided by (used in) financing activities	257,857	(75,606)
Effect of exchange rate changes on cash	(33)	2
Net decrease in cash and cash equivalents	(9,756)	(6,579)
Cash and cash equivalents, beginning of period	18,706	22,485
Cash and cash equivalents, end of period	$ 8,950	$ 15,906
Supplemental cash flow information		
Interest paid	$ 6,851	$ 4,882
Income tax paid	$ 2,046	$ 902

See accompanying notes to consolidated financial statements

Web.com Group, Inc.
Notes to Consolidated Financial Statements
(unaudited)

1. The Company and Summary of Significant Accounting Policies

Description of Company

Web.com Group, Inc. ("Web.com" or "the Company") provides a full range of Internet services to small businesses to help them compete and succeed online. Web.com meets the needs of small businesses anywhere along their lifecycle with affordable, subscription-based solutions including domains, hosting, website design and management, search engine optimization, online marketing campaigns, local sales leads, social media, mobile products and eCommerce solutions. For more information about the Company, please visit http://www.web.com. The information obtained on or accessible through the Company's website is not incorporated into this Quarterly Report on Form 10-Q and you may not consider it a part of this Quarterly Report on Form 10-Q.

The Company has reviewed the criteria of Accounting Standards Codification ("ASC") 280-10, Segment Reporting, and has determined that the Company is comprised of only one segment, web services and products.

In March 2016, the Company completed the acquisition of 100% of the outstanding shares of Yodle, Inc., a Delaware corporation, ("Yodle"), for approximately $341.9 million , which includes $42.0 million of deferred consideration. Yodle is a leading provider of cloud based local marketing solutions for small businesses with approximately 1,400 employees and 53,000 subscribers. See Note 2, *Business Combinations* , for additional information surrounding the acquisition.

Basis of Presentation

The accompanying consolidated balance sheet as of June 30, 2016 , the consolidated statements of comprehensive income for the three and six months ended June 30, 2016 and 2015 , the consolidated statements of cash flows for the six months ended June 30, 2016 and 2015 , and the related notes to the consolidated financial statements are unaudited.

The unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2015 , except that certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or excluded as permitted.

In the opinion of management, the unaudited consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company’s financial position as of June 30, 2016 , the Company’s results of operations for the three and six months ended June 30, 2016 and 2015 , and the cash flows for the six months ended June 30, 2016 and 2015 . The Company's financial position as of June 30, 2016 includes the assets and liabilities of Yodle and the results of operations and cash flows from March 9, 2016 to June 30, 2016. The results of operations for the three and six months ended June 30, 2016 , are not necessarily indicative of the results to be expected for the year ending December 31, 2016 .

Pursuant to the rules and regulations of the SEC, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted from these interim financial statements. The Company suggests that these financial statements be read in conjunction with the audited financial statements and the notes included in the Company's most recent annual report on Form 10-K filed with the SEC on February 26, 2016, and any subsequently filed current reports on Form 8-K.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Sources of Revenue

Subscription Revenue

The Company currently derives a substantial majority of our revenue from fees associated with our subscription services, which generally include web services, online marketing, eCommerce, and domain name registration offerings. We bill a majority of our customers in advance and recognize revenue on a daily basis over the life of the contract.

Professional Services and Other Revenue

The Company also generates professional services revenue from custom website design, eCommerce store design and support services. Custom website design and eCommerce store design work is typically billed on a fixed-price basis and over very short periods. Generally, revenue is recognized when the service has been completed.

Cost of Revenue

Cost of revenue consists of expenses related to compensation of our web page development staff, domain name registration costs, directory listing fees, eCommerce store design, online marketing costs for services provided, billing costs, hosting expenses,and allocated overhead costs. The Company allocates overhead costs such as rent and utilities to all departments based on headcount. Accordingly, general overhead expenses are reflected in each cost of revenue and operating expense category.

Operating Expenses

Sales and Marketing Expense

The Company's direct marketing expenses include the costs associated with the online marketing channels used to promote our services and acquire customers. These channels include search marketing, affiliate marketing, direct television advertising and partnerships. Sales and marketing costs consist primarily of compensation and related expenses for our sales and marketing staff as well as our customer support staff. Sales and marketing expenses also include marketing programs, such as advertising, corporate sponsorships and other corporate events and communications.

Technology and development

Technology and development represents costs associated with creation, development and distribution of our products and websites. Technology and development expenses primarily consist of headcount-related costs associated with the design, development, deployment, testing, operation, enhancement of our products and management information systems personnel, as well as costs associated with the data centers and systems infrastructure supporting those products.

General and Administrative Expense

General and administrative expenses consist of compensation and related expenses for executive, finance, and administration, as well as professional fees, corporate development costs, other corporate expenses, and allocated overhead costs.

Depreciation and Amortization Expense

Depreciation and amortization expenses relate primarily to our intangible assets recorded due to the acquisitions we have completed, as well as depreciation expense from computer and other equipment, internally developed software, furniture and fixtures, and building and improvement expenditures.

New Accounting Standards

Recently Adopted Accounting Standards

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments* . The new standard requires an entity recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The standard also requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provision amounts, calculated as if the accounting had been completed at the acquisition date. For public companies, ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. ASU 2015-16 was adopted during the first quarter ended March 31, 2016 and there was no effect on the Company's consolidated financial statements and footnote disclosures.

Accounting Standards Issued Not Yet Adopted

In May 2014, the FASB and International Accounting Standards Board ("IASB") issued ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606), a converged standard on revenue recognition which supersedes previous revenue recognition guidance. Some of the main areas of transition to the new standard include, among others, transfer of control (revenue is recognized when a customer obtains control of a good or service), allocation of transaction price is based on relative standalone selling price (entities that sell multiple goods or services in a single arrangement must allocate the consideration to each of those goods or services), contract costs (entities sometimes incur costs, such as sales commissions or mobilization activities, to obtain or fulfill a contract), and disclosures (extensive disclosures are required to provide greater insight into both revenue that has been recognized, and revenue that is expected to be recognized in the future from existing contracts). In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date* , which defers the effective date of the new standard by one year, resulting in the new standard being effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 with early adoption as of the original effective date permitted. The Company will use one of two methods of adoption: (i) retrospective to each prior reporting period presented, with the option to elect certain practical expedients as defined within the standard; or (ii) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application inclusive of certain additional disclosures. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* . In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing* . Also, in May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* . These standards clarify the guidance in ASU 2014-09 and have the same effective date as the original standard. The Company is currently evaluating the impact that the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 will have on our consolidated financial statements.

In August 2014, the FASB issued new guidance related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The adoption of this standard is not expected to have an impact on our consolidated financial statements or disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* , which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The amendment will be effective for the Company beginning January 1, 2018 and the adoption of this standard is not expected to have an impact on our consolidated financial statements or disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* , which requires lessees to recognize on the balance sheet a right-of-use asset, representing their right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. ASU 2016-02 is effective for the Company beginning January 1, 2019 and we are currently evaluating the impact that ASU 2016-02 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting* . The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for the Company on January 1, 2017 and we are currently evaluating the impact that ASU 2016-09 will have on our consolidated financial statements.

2. Business Combinations

Acquisition of Yodle

On March 9, 2016, the Company executed an Agreement and Plan of Merger (the "Merger Agreement) with Yodle, Inc., a Delaware corporation ("Yodle"), and Shareholder Representative Services, LLC, a Colorado limited liability company. The Company acquired 100% of the outstanding shares of Yodle, Inc. and paid approximately $300.3 million adjusted for, among other things, Yodle's cash and outstanding debt and transaction related expenses. The Company will pay an additional $20.0 million and $22.0 million on the first and second anniversary dates of the closing, respectively, subject to adjustments as described in the Merger Agreement. Finally, the Company converted out of the money stock options held by employees of Yodle to Web.com options, which resulted in additional consideration of $2.3 million , for total consideration of $341.9 million . In addition to the consideration, the Company incurred approximately $3.9 million of acquisition-related transaction expenses which are reflected in the General and Administrative line item of the Consolidated Statement of Comprehensive (Loss) Income for during the six months ended June 30, 2016.

The Company has accounted for the acquisition of Yodle using the acquisition method as required in Accounting Standards Codification 805, *Business Combinations* ("ASC 805"). As such, preliminary fair values have been assigned to the assets acquired and liabilities assumed and the excess of the total purchase price over the fair value of the net assets acquired is recorded as goodwill. The Company, with the assistance of independent valuation professionals, has also performed preliminary estimates of the fair value of certain intangible assets. The goodwill recorded from this acquisition represents business benefits the Company anticipates realizing from acquiring a leader in value added digital marketing solutions that further solidifies our position as a leading national provider in this space. In addition, Yodle has vertically focused solutions that help small businesses attract new business and retain existing customers through cloud based marketing platforms. Finally, the Company also expects to benefit from synergies from eliminating duplicate operational and administrative expenditures, where feasible. The goodwill from the acquisition is not deductible for tax purposes.

The Company is still reviewing information surrounding intangible assets, property, plant and equipment values, certain assets and liabilities, accrued expenses, deferred revenue and income taxes. These items may result in changes to the Company's preliminary purchase price allocation through the first quarter of 2017. The following table summarizes the Company's preliminary purchase price allocation based on the fair values of the assets acquired and liabilities assumed (in thousands):

	As of March 31, 2016	Adjustments	As of June 30, 2016
Tangible current assets	$ 7,709	$ (241)	$ 7,468
Property plant and equipment	18,157	(17)	18,140
Developed technology	72,500	7,160	79,660
Trademarks / trade names	32,500	580	33,080
Customer relationships	67,500	(270)	67,230
Other non current assets	277	—	277
Goodwill	218,530	(4,852)	213,678
Current liabilities	(22,308)	(83)	(22,391)
Deferred revenue	(8,709)	—	(8,709)
Deferred tax liability	(43,532)	(2,763)	(46,295)
Other long term liabilities	(245)	—	(245)
Purchase price consideration	$ 342,379	$ (486)	$ 341,893

The preliminary customer relationships and developed technology intangible assets will be amortized over 5 years and 6 years, respectively. The trademarks and trade names are indefinite life intangible assets and are not amortized.

Yodle contributed approximately $52 million and $61 million in r evenue during the three and six months ended June 30, 2016, respectively. The revenue for the three and six months ended reflects approximately $4 million and $10 million , respectively, of unfavorable impact amortizing into revenue, deferred revenue that was recorded at fair value as of the acquisition date. The operations of Yodle have been incorporated with the existing Web.com Group Inc. operations subsequent to the transaction closing. As such, the determination of operating income and net income is not readily available nor would it be indicative of the standalone entity if presented.

The fair value and gross contractual amount of the acquired accounts receivable was $4.8 million .

Pro Forma Condensed Consolidated Results of Operations

The Company has prepared the unaudited condensed pro forma financial information to reflect the consolidated results of operations as though the Yodle acquisition had occurred on January 1, 2015 for the three months ended June 30, 2015 and the six months ended June 30, 2016 and 2015. The Company has made adjustments to the historical Web.com and Yodle financial statements that are directly attributable to the acquisition, factually supportable and expected to have a continuing impact on the combined results. The pro forma presentation does not include any impact of transaction costs or expected synergies. The pro forma results are not necessarily indicative of our results of operations had the Company owned Yodle for the entire periods presented.

The Company has adjusted the results of operations to reflect the impact of amortizing into revenue, deferred revenue that was recorded at fair value. In addition, interest expense and amortization of intangible assets were adjusted to reflect the cost of the

March 9, 2016 debt issued to finance the acquisition and the fair value of the intangible assets on the acquisition date, respectively.

The following summarizes unaudited pro forma total revenue and net loss (in thousands, except per share amounts):

	Six months ended June 30, 2016
Revenue	$ 372,689
Net loss	$ (9,830)
Basic net loss per share	$ (0.20)
Diluted net loss per share	$ (0.20)
Basic weighted-average common shares outstanding	49,334
Diluted weighted-average common shares outstanding	49,334

	Three months ended June 30, 2015	Six months ended June 30, 2015
Revenue	$ 187,085	$ 361,350
Net loss	$ (7,695)	$ (15,942)
Basic net loss per share	$ (0.15)	$ (0.31)
Diluted net loss per share	$ (0.15)	$ (0.31)
Basic weighted-average common shares outstanding	50,362	50,616
Diluted weighted-average common shares outstanding	50,362	50,616

Acquisition of TORCHx

On May 31, 2016, the Company completed the acquisition of substantially all of the assets and certain liabilities of Brokerage Leader Inc. ("TORCHx"), a Florida corporation, which primarily consisted of customer relationships and developed technology intangible assets. TORCHx is a real estate platform built for agents and brokerages that features search engine optimization (SEO) and responsive design, customer relationship management (CRM) and other tools to help run successful online marketing campaigns. The Company paid $4.4 million for this business during the second quarter of 2016, of which $3.0 million was paid at closing and the remaining $1.5 million is payable on November 30, 2017.

The Company has accounted for the acquisition of TORCHx using the acquisition method as required in Accounting Standards Codification 805, *Business Combinations* ("ASC 805"). As such, preliminary fair values have been assigned to the assets acquired and liabilities assumed and the excess of the total purchase price over the fair value of the net assets acquired is recorded as goodwill. The Company has estimated the fair value of certain intangible assets. The goodwill recorded from this acquisition represents business benefits the Company anticipates realizing from optimizing resources and cross-sale opportunities. The goodwill from the acquisition is deductible for tax purposes.

The Company is still reviewing information surrounding intangible assets, certain assets and liabilities and deferred revenue. These items may result in changes to the Company's preliminary purchase price allocation through the second quarter of 2017.

Assets and liabilities acquired at May 31, 2016 are as follows (in thousands):

Tangible current assets	$	21
Developed technology-7 year useful life		1,790
Customer relationships-4 year useful life		360
Goodwill		2,262
Deferred revenue		(42)
Purchase price consideration	$	4,391

3. Net (Loss) Income Per Common Share

Basic net (loss) income per common share is calculated using net (loss) income and the weighted-average number of shares outstanding during the reporting period. Diluted net (loss) income per common share includes the effect from the potential issuance of common stock, such as common stock issued pursuant to the exercise of stock options or vesting of restricted shares.

During the first quarter of 2015 and 2016, the Company issued equity awards with performance, service and market conditions. These awards are included in basic shares outstanding once all criteria have been met and the shares have vested. Prior to the end of the vesting period, the number of contingently issuable shares included in diluted EPS is based on the number of shares, if any, that would be issuable under the terms of the arrangement if the end of the reporting period were the end of the contingency period, using the treasury stock method and assuming the result would be dilutive. As of June 30, 2016, neither of the underlying conditions for the 2016 awards has been met. Therefore, no incremental common shares from this award have been included. See Note 10, *Stock-Based Compensation and Stockholders' Equity* , for additional information on this award.

During the three months ended June 30, 2016 and 2015, 9.2 million and 1.7 million share-based awards, respectively, have been excluded from the calculation of diluted common shares because including those securities would have been anti-dilutive.
During the six months ended June 30, 2016 and 2015, 9.2 million and 2.1 million share-based awards, respectively, have been excluded from the calculation of diluted common shares because including those securities would have been anti-dilutive.

The Company's potentially dilutive shares also include incremental shares issuable upon the conversion of the Company's Senior Convertible Notes due August 15, 2018 ("2018 Notes"). See Note 6, *Long-term Debt* , for additional information regarding the 2018 Notes. Upon conversion or maturity of the 2018 Notes, the Company may settle the notes with either cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. The Company has adopted a current policy to settle the principal amount in cash and any excess conversion value in shares of our common stock. Because the principal amount of the 2018 Notes will be settled in cash upon conversion, only the conversion spread relating to the 2018 Notes is included in our calculation of diluted net income per common share. When the market price of the Company's stock exceeds the conversion price, as applicable, it will include, in the diluted net income per common share calculation, the effect of the additional shares that may be issued upon conversion using the treasury stock method. There were no incremental common shares from the 2018 Notes that were included in the calculation of diluted shares because the Company's average price of its common stock did not exceed the conversion price during the three and six months ended June 30, 2016 and 2015.

The following table sets forth the computation of basic and diluted net (loss) income per common share (in thousands, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Net (loss) income	$ (1,606)	$ 4,550	$ (1,268)	$ 6,889
Basic weighted average common shares outstanding	49,293	50,362	49,334	50,616

Dilutive effect of stock options	—	1,800	—	1,584
Dilutive effect of restricted shares	—	273	—	310
Dilutive effect of performance shares	—	—	—	—
Dilutive effect of the assumed conversion of the 2018 Notes	—	—	—	—
Diluted weighted average common shares outstanding	49,293	52,435	49,334	52,510
Net (loss) income per basic common share	$ (0.03)	$ 0.09	(0.03)	0.14
Net (loss) income per diluted common share	$ (0.03)	$ 0.09	$ (0.03)	$ 0.13

4. Goodwill and Intangible Assets

In accordance with ASC 350, the Company reviews goodwill and other indefinite-lived intangible asset balances for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill or indefinite-lived intangible assets below its carrying amount. As of December 31, 2015 , the Company completed its annual impairment test of goodwill and other indefinite-lived intangible assets and determined that there was no impairment. There were no indicators of impairment during the six months ended June 30, 2016 .

On April 1, 2016, the Company paid $1.3 million for registrar credentials purchased from eNOM, Incorporated, a Nevada corporation and Rightside Group, LTD., a Delaware corporation. The credentials were recorded as other intangible assets and are being amortized over 24 months.

The following table summarizes changes in the Company's goodwill balances as required by ASC 350-20 for the six months ended June 30, 2016 and the year ended December 31, 2015 , respectively (in thousands):

	June 30, 2016	December 31, 2015
Goodwill balance at beginning of period	$ 741,439	$ 741,858
Accumulated impaired goodwill at beginning of period	(102,294)	(102,294)
Goodwill balance at beginning of period, net	639,145	639,564
Goodwill acquired during the period- Scoot	—	11
Goodwill acquired during the period- Yodle- *Note 2, Business Combinations*	213,678	—
Goodwill acquired during the period- TORCHx- *Note 2, Business Combinations*	2,262	—
Foreign currency translation adjustments (1)	(790)	(430)
Goodwill balance at end of period, net *	$ 854,295	$ 639,145

** Gross goodwill balances were $956.6 million as of June 30, 2016 and $741.4 million as of December 31, 2015 . These include accumulated impairment losses of $102.3 million .*

(1) The foreign currency translation adjustments are from translating the goodwill acquired from the July 2014 Scoot acquisition at the current balance sheet date.

The Company's intangible assets are summarized as follows (in thousands):

	June 30, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-average Remaining Amortization Period in Years
Indefinite-lived intangible assets:				
Domain/Trade names	$ 165,052	$ —	$ 165,052	

	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-average Remaining Amortization Period in Years
Definite-lived intangible assets:				
Customer relationships	356,981	(143,467)	213,514	6.4
Developed technology	274,255	(181,937)	92,318	5.1
Other	7,745	(5,005)	2,740	1.8
Total *	$ 804,033	$ (330,409)	$ 473,624	

** Cumulative foreign currency translation adjustments, reflecting the movement in currencies, decreased total intangible assets by approximately $0.6 million as of June 30, 2016.*

	December 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted-average Remaining Amortization Period in Years
Indefinite-lived intangible assets:				
Domain/Trade names	$ 132,228	$ —	$ 132,228	
Definite-lived intangible assets:				
Customer relationships	289,710	(128,212)	161,498	7.6
Developed technology	193,020	(169,819)	23,201	2.1
Other	6,027	(4,847)	1,180	2.4
Total *	$ 620,985	$ (302,878)	$ 318,107	

** Cumulative foreign currency translation adjustments, reflecting the movement in currencies, decreased total intangible assets by approximately $0.4 million as of December 31, 2015.*

The weighted-average amortization period for the amortizable intangible assets remaining as of June 30, 2016 is approximately 6.0 years. Total amortization expense was $16.8 million and $9.8 million for the three months ended June 30, 2016 and 2015, respectively. Amortization expense was $28.1 million and $19.6 million for the six months ended June 30, 2016 and 2015, respectively.

As of June 30, 2016 , the amortization expense for the remainder of the year ended December 31, 2016, and the next five years and thereafter is as follows (in thousands):

2016 (remainder of year)	$ 31,645
2017	55,742
2018	52,302
2019	48,672
2020	46,443
2021	35,392
Thereafter	38,376
Total	$ 308,572

5. Related Party Transactions

Effective February 6, 2015, the Company elected Mr. John A. Giuliani to serve on its Board of Directors. Mr. Giuliani served as President, Chief Executive Officer and Director of Conversant, a subsidiary of Alliance Data Systems Corporation, a personalized digital marketing platform. The Company incurred $0.2 million and $0.3 million of expense related to services provided by Conversant during the three months ended June 30, 2016 and 2015, respectively. During the six months ended June 30, 2016 and 2015, respectively, the Company incurred $0.4 million and $0.5 million of expense related to services provided by Conversant.

6. Long-term Debt

1% Senior Convertible Notes due August 15, 2018

In August 2013, the Company issued $258.8 million aggregate principal amount of 1.00% Senior Convertible Notes due August 15, 2018 (the "2018 Notes"). The 2018 Notes bear interest at a rate of 1.00% per year, payable semiannually in arrears, on February 15 and August 15 of each year, beginning on February 15, 2014. The conversion price for the 2018 Notes is equivalent to an initial effective conversion price of approximately $35.00 per share of common stock. Proceeds, net of original issuance discounts and debt issuance costs, of $252.3 million were received from the 2018 Notes. The net proceeds were used to pay down $208.0 million of the First Lien Term Loan and $43.0 million of the Revolving Credit Facility.

The Company may not redeem the 2018 Notes prior to August 20, 2016 . On or after August 20, 2016, the Company may redeem for cash any or all of the 2018 Notes, at its option, if the last reported sale price of its common stock exceeds 130% of the applicable conversion price on each applicable trading day as defined by the indenture. The redemption price will equal 100% of the principal amount of the 2018 Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. Holders of the 2018 Notes may also convert their notes at any time prior to May 15, 2018 if the sale price of the Company's common stock exceeds 130% of the applicable conversion price on each applicable trading day as defined by the indenture.

In addition, holders may also convert their 2018 Notes any time prior to May 15, 2018 , (i) if during the five business days after any five consecutive trading day period in which the trading price of the 2018 Notes was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate, (ii) if the Company calls the 2018 Notes for redemption; or (iii) upon the occurrence of specified corporate events.

Prior to August 20, 2016, the 2018 Notes are also redeemable or convertible upon certain fundamental changes, as defined in the indenture, which may require the Company to purchase the 2018 Notes in whole or in part for cash at a price equal to 100% of the principal amount of the 2018 Notes to be purchased, plus any accrued and unpaid interest to, but not including, the purchase date. The 2018 Notes are senior unsecured obligations and will be effectively junior to any of the Company's existing and future secured indebtedness.

The Company determined that the embedded conversion option in the 2018 Notes is not required to be separately accounted for as a derivative under ASC 815, *Derivatives and Hedging* . The 2018 Notes are within the scope of ASC 470, Topic 20, *Debt with Conversion and Other Options,* which requires the Company to separate a liability component and an equity component from the proceeds received. The carrying amount of the liability component at the time of the transaction of $204.4 million was calculated by measuring the fair value of a similar debt instrument that does not have an associated equity component. The fair value of the liability component was subtracted from the initial proceeds and the remaining amount of $47.8 million was recorded as the equity component. The excess of the principal amount of the liability component over its carrying amount will be amortized to interest expense over the expected life of 5 years using the effective interest method.

Upon conversion or maturity of the 2018 Notes, the Company may settle the notes with either cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. The Company has adopted a current policy to settle the $258.8 million of principal amount in cash and any excess conversion value in shares of its common stock. Because the principal amount of the 2018 Notes will be settled in cash upon conversion, only the conversion spread relating to the 2018 Notes may be included in the Company's calculation of diluted net income per common share. When the market price of the Company's stock exceeds the conversion price, it will include, in the diluted net income per common share calculation, the effect of the additional shares that may be issued upon conversion using the treasury stock method. As such, the 2018 Notes have no impact on diluted net income per common share until the price of the Company's common stock exceeds the conversion price (approximately $35.00 per common share) of the 2018 Notes.

As of June 30, 2016 and December 31, 2015 , the carrying value of the debt and equity component was $233.5 million and $47.8 million and $228.0 million and $47.8 million , respectively. The unamortized debt discount of $25.2 million as of June 30, 2016 will be amortized over the remaining life of 2.1 years using the effective interest method.

Credit Agreement

On February 11, 2016, the Company entered into an amendment (the "Amendment") to that certain Credit Agreement, dated as of September 9, 2014 (the "Existing Credit Agreement" and as amended by the Amendment, the "Amended Credit Agreement"), by and among the Company, the several lenders from time to time parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent. On March 9, 2016 (the "Closing Date"), the amended Credit Agreement became effective following the completion of the acquisition of Yodle Inc. (the "Acquisition").

The Amended Credit Agreement provides for (i) $390.0 million of five -year secured term loans, replacing and refinancing $190.0 million of secured term loans outstanding under the Existing Credit Agreement and providing for an additional $200.0 million of secured term loans (the "Term Loan") and (ii) a five-year secured revolving credit facility that provides up to $150 million of revolving loans (the "Revolving Credit Facility"), which replaces the revolving credit facility under the Existing Credit Agreement. On the Closing Date, the Company used the proceeds of the Term Loan and borrowed $115.0 million of loans under the Revolving Credit Facility, together with cash on hand, to complete the Acquisition.

The Term Loan and loans under the Revolving Credit Facility initially bear interest at a rate equal to either, at the Company’s option, the LIBOR rate plus an applicable margin equal to 3.00% per annum, or the prime lending rate plus an applicable margin equal to 2.00% per annum. The applicable margins for the Term Loan and loans under the Revolving Credit Facility are subject to reduction or increase based upon the Company’s consolidated first lien net leverage ratio as of the end of each fiscal quarter. The Company must also pay (i) a commitment fee of 0.45% per annum on the actual daily amount by which the revolving credit commitment exceeds then-outstanding usage under the Revolving Credit Facility, also subject to reduction or increase based upon the Company’s consolidated first lien net leverage ratio, (ii) a letter of credit fee equal to the applicable margin that applies to LIBOR loans under the Revolving Credit Facility and (iii) a fronting fee of 0.125% per annum, calculated on the daily amount available to be drawn under each letter of credit issued under the Revolving Credit Facility.

The Company is permitted to make voluntary prepayments with respect to the Revolving Credit Facility and the Term Loan at any time without payment of a premium. The Company is required to make mandatory prepayments of the Term Loan with (i) net cash proceeds from certain asset sales (subject to reinvestment rights) and (ii) net cash proceeds from certain issuances of debt. The Company is also required to maintain certain financial ratios under the Credit Agreement and there are customary covenants that limit the incurrence of debt, the payment of dividends, the disposition of assets, and making of certain payments. Substantially all of the Company's and certain of its domestic subsidiaries' tangible and intangible assets are pledged as collateral under the Credit Agreement.

The refinancing was accounted for as a modification of the Existing Credit Agreement. As a result, the $5.7 million of additional loan origination discounts and bank arranger fees were capitalized during the first quarter ended March 31, 2016 in connection with the refinancing. Third party fees related to the Amendment were expensed as incurred.

The Company has $55.7 million of available borrowings under the Revolving Credit Facility as of June 30, 2016.

Outstanding long-term debt and the interest rates in effect at June 30, 2016 and December 31, 2015 consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Revolving Credit Facility maturing 2021, 3.44%, based on LIBOR plus 3.00%, less unamortized discount of $2,482 at June 30, 2016, effective rate of 3.92%	$ 89,955	$ 3,437
Term Loan due 2021, 3.44%, based on LIBOR plus 3.00%, less unamortized discount of $5,463 at June 30, 2016, effective rate of 3.81%	382,100	191,109
Senior Convertible Notes, maturing 2018, 1.00%, less unamortized discount of $25,219 at June 30, 2016, effective rate of 5.88%	233,531	228,032
Total Outstanding Debt	705,586	422,578
Less: Current Portion of Long-Term Debt	(12,016)	(11,169)
Long-Term Portion	$ 693,570	$ 411,409

Debt discount and issuance costs

The Company recorded $3.7 million and $2.8 million of expense from amortizing debt issuance and discount costs during each of the three months ended June 30, 2016 and 2015 , respectively. During the six months ended June 30, 2016 and 2015, $6.7 million and $5.6 million of amortization expense was recorded, respectively.

Total estimated principal payments due for the next five years as of June 30, 2016 are as follows:

Year 1	$ 12,187
Year 2	21,937
Year 3	290,438

Year 4		39,000
Year 5		375,188
Total principal payments	$	738,750

On August 15, 2018, the aggregate principal balance of the Senior Convertible Notes (the 2018 Notes) becomes due. The remaining principal requirements reflect quarterly payments under the Term Loan with the remaining balance payable in March 2021. The Revolving Credit Facility matures in March 2021.

7. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	June 30, 2016		December 31, 2015	
Foreign currency translation adjustments	$	(3,326)	$	(2,119)
Unrealized loss on investments		(1)		(29)
Total accumulated other comprehensive loss	$	(3,327)	$	(2,148)

8. Fair Value

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels as follows:

Level 1 -Quoted prices in active markets for identical assets or liabilities.

Level 2 -Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 -Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The Company has financial assets and liabilities that are not required to be remeasured to fair value on a recurring basis. The carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable, deferred consideration and accrued expenses approximates fair market value as of June 30, 2016 and December 31, 2015 due to the short maturity of these items. As of June 30, 2016 , the fair value and carrying value of the Company's 2018 Notes totaled $238.1 million and $233.5 million , respectively. As of December 31, 2015 , the fair value and carrying value of the Company's 2018 Notes was $ 243.2 million and $228.0 million , respectively. The fair value of the 2018 Notes, including the equity component, was calculated by taking the quoted market price for the instruments multiplied by the principal amount. This is based on a Level 2 fair value hierarchy calculation obtained from quoted market prices for the Company's long-term debt instruments that may not be actively traded at each respective period end. The Revolving Credit Facility and Term Loan that were amended on February 11, 2016, are variable rate debt instruments indexed to 1-Month LIBOR that resets monthly and the fair value approximates the carrying value as of June 30, 2016 and December 31, 2015. See Note 6, *Long-term Debt* , for additional information surrounding the amendment.

9. Income Taxes

The Company accounts for income taxes under the provisions of ASC 740, *Income Taxes* , using the liability method. ASC 740 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse.

The Company recorded income tax expense of $0.5 million and $5.2 million during the three months ended June 30, 2016 and 2015 , and $1.5 million and $8.8 million during the six months ended June 30, 2016 and 2015 respectively, based upon the estimated annual effective tax rates for each year. The estimated annual effective tax rate for 2016 reflects the impact of net unfavorable permanent book-tax differences estimated for the year and an increase in the projected year-end valuation allowance related to certain state and foreign deferred tax assets. The estimated annual effective tax rate for 2015 reflected the estimated increase in the Company's projected year-end valuation allowance related to the projected increase in non-reversing deferred tax liabilities, and reduced by forecasted pre-tax income for the year.

10. Stock-Based Compensation and Stockholders' Equity

The Company records compensation expense for employee and director stock-based compensation plans based upon the fair value of the award in accordance with ASC 718, *Compensation-Stock Compensation* .

Equity Incentive Plans

The Company has the 2014 Equity Incentive Plan for the issuance of stock-based compensation, including but not limited to, common stock options and restricted shares to employees. In addition, the Company's plan provides for grants of non-statutory stock options and restricted shares awards ("RSA's") to non-employee directors. The Company issues shares out of treasury stock, if available, otherwise new shares of common stock are issued upon the exercise of stock options and the granting of restricted shares.

Incentive stock options and non-statutory stock options issued generally vest ratably over three to four years, are contingent upon continued service and expire ten years from the grant date. Restricted share awards generally vest 25 percent each year over a four year period.

The Board of Directors or a committee thereof, administers all of the equity incentive plans and establishes the terms of options granted, including the exercise price, the number of shares subject to individual option awards and the vesting period of options, within the limits set forth in the plans. Options have a maximum term of 10 years and vest as determined by the Board of Directors.

The Company has additional equity incentive plans that are established in conjunction with its acquisitions. These plans are considered one-time, inducement awards of incentive stock options, non-statutory stock options and restricted shares. Once the inducement awards are granted, no additional shares, including forfeitures and cancellations, are available for future grant under these plans.

Yodle Equity Grants

In connection with the March 2016 Yodle acquisition, the Company granted 0.3 million restricted shares that vest annually over a four year period and 0.3 million stock options of which 25 percent vest one year from the date of grant and the remaining 75 percent vest monthly over a three year period for a total of four years.

In addition, the Company converted unvested and out of the money existing Yodle stock options to 1.3 million stock options of the Company in connection with the March 9, 2016 acquisition of Yodle. The total value of the converted stock options is approximately $8.3 million . Approximately $2.3 million has been recorded as additional consideration representing the vesting that occurred prior to the closing of the acquisition. The remaining $6.0 million will be amortized to stock compensation expense over the remaining service period of approximately 3 years.

Performance Shares

During the first quarter of 2015 and 2016, the Compensation Committee of the Board of Directors approved performance share equity awards. The targeted number of shares under a 100 percent payout scenario for each of the 2015 and 2016 awards are 0.2 million common shares over the three year vesting periods, with one-third vesting each year. The actual number of shares that may be earned and issued, if any, may range from 0-200% of the target number of shares granted. The range is based upon (1) the number of shares earned based upon the over achievement or under achievement of the financial measures for the annual performance period and (2) the number of shares earned being adjusted higher or lower depending on the performance of the Company's total shareholder return, compared against the Company's peer group.

Compensation expense related to the performance share stock plan for the three and six months ended June 30, 2016 was approximately $0.4 million and $0.5 million , respectively. This represented the remaining expense for the first tranche of the 2015 award as well as the estimated expense for the 2016 performance period. The Company recorded $0.3 million of compensation expense for the performance shares during the three and six months ended June 30, 2015. The 2015 tranche of the performance share award resulted in a payout of 159% of the target shares, or approximately 92 thousand shares. During the six months ended June 30, 2016, approximately 37 thousand shares totaling $0.7 million , were withheld by the Company for minimum income tax withholding requirements.

Stock Options

Compensation costs related to the Company’s stock option plans were $ 2.5 million and $ 2.7 million for the three months ended June 30, 2016 and 2015 , respectively. Compensation costs for the six months ended June 30, 2016 and 2015, $4.7 million and $5.6 million , respectively. During each of the three months ended June 30, 2016 and 2015 , 0.1 million and 0.2 million common shares were issued for options exercised, respectively. During each of the six months ended June 30, 2016 and 2015, 0.1 million and 0.4 million common shares were issued for options exercised, respectively.

Restricted Stock

Compensation expense related to restricted stock plans for the three months ended June 30, 2016 and 2015 , was approximately $2.5 million and $2.2 million , respectively. Compensation expense for the six months ended June 30, 2016 and 2015 was $5.0 million and $4.2 million , respectively. During each of the six months ended June 30, 2016 and 2015 , approximately 0.1 million shares totaling approximately $2.5 million and $2.3 million , respectively, were withheld by the Company for minimum income tax withholding requirements. During the three months ended June 30, 2016 and 2015, 0.1 million and 57 thousand restricted common shares were granted, respectively. During the six months ended June 30, 2016 and 2015 0.6 million and 0.5 million restricted common shares were granted, respectively. This excludes the Yodle restricted stock awards that were discussed above.

Stock Repurchases

On November 5, 2014 , the Company's Board of Directors authorized a share repurchase program of up to $100.0 million of the Company's common stock. This program, according to its terms, will expire on December 31, 2016 .

The aggregate amount remaining available for repurchase under this program was $21.7 million at June 30, 2016 . Repurchases under the repurchase programs may take place in the open market or in privately negotiated transactions, including structured and derivative transactions such as accelerated share repurchase transactions, and may be made under a Rule 10b5-1 plan. During the three months ended June 30, 2016 and 2015, the Company repurchased approximately 0.3 million and 0.7 million common shares, respectively. The total amount repurchased during the three months ended June 30, 2016 and 2015, was $5.7 million and $14.2 million , respectively. During the six months ended June 30, 2016 and 2015, 1.0 million and 1.6 million common shares were repurchased for $16.9 million and $30.0 million , respectively.

11. Commitments and Contingencies

Standby Letters of Credit

The Company utilizes letters of credit to back certain payment obligations relating to its facility operating leases. The Company had approximately $ 8.2 million in standby letters of credit as of June 30, 2016 , $ 1.9 million of which were issued under the Revolving Credit Facility. The letters of credit increased approximately $5.9 million during the six months ended June 30, 2016, primarily to fulfill requirements under Yodle operating leases.

Legal Proceedings

From time to time, the Company and its subsidiaries receive inquiries from foreign, federal, state and local regulatory authorities or are named as defendants in various investigations, inquires or legal actions that are incidental to our business and arise out of or are related to claims made in connection with our marketing practices, customer and vendor contracts and employment related disputes. We believe that the resolution of these investigations, inquiries or legal actions will not have a material adverse effect on our financial position, marketing practices or results of operations. There were no material legal proceedings for which a loss was reasonably possible or estimable at June 30, 2016.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” provisions created by those sections. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are “forward-looking statements” for purposes of these provisions, including any projections or earnings. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may *cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Quarterly Report on Form 10-Q in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

Safe Harbor

In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered "non-GAAP financial measures" under Securities and Exchange Commission rules. These rules require supplemental explanation and reconciliation, which is provided in this Quarterly Report on Form 10-Q.

We believe presenting non-GAAP net income attributable to common stockholders, non-GAAP net income per share attributable to common stockholders and non-GAAP operating income measures are useful to investors, because they describe the operating performance of the Company, excluding some recurring charges that are included in the most directly comparable measures calculated and presented in accordance with GAAP. We use these non-GAAP measures as important indicators of our past performance and in planning and forecasting performance in future periods. The non-GAAP financial information we present may not be comparable to similarly-titled financial measures used by other companies, and investors should not consider non-GAAP financial measures in isolation from, or in substitution for, financial information presented in compliance with GAAP.

Overview

Web.com Group, Inc. ("Web.com", the "Company" or "We") provides a full range of internet services to small businesses to help them compete and succeed online. Web.com meets the needs of small businesses anywhere along their lifecycle with affordable, subscription-based solutions including domains, hosting, website design and management, search engine optimization, online marketing campaigns, local sales leads, social media, mobile products and eCommerce solutions. For more information about the company, please visit http://www.web.com. The information obtained on or accessible through the Company's website is not incorporated into this Quarterly Report on Form 10-Q and you may not consider it a part of this Quarterly Report on Form 10-Q.

In March 2016, the Company completed the acquisition of 100% of the outstanding shares of Yodle, Inc., a Delaware corporation, ("Yodle"), for approximately $341.9 million , which includes $42.0 million of deferred consideration. Yodle is a leading provider of cloud based local marketing solutions for small businesses with approximately 1,400 employees and 53,000 subscribers. Management's Discussion and Analysis includes the results of operations and cash flows of Yodle from March 9, 2016 through June 30, 2016. See Note 2, *Business Combinations* , for additional information surrounding the acquisition.

Key Business Metrics

Management periodically reviews certain key business metrics to evaluate the effectiveness of our operational strategies, allocate resources and maximize the financial performance of our business. These key business metrics include:

Net Subscriber Additions

We maintain and grow our subscriber base through a combination of adding new subscribers and retaining existing subscribers. We define net subscriber additions in a particular period as the gross number of new subscribers added during the period, less subscriber cancellations during the period. For this purpose, we only count as new subscribers those customers whose subscriptions have extended beyond the free trial period, if applicable.

We review this metric to evaluate whether we are effectively implementing our business plan. An increase in net subscriber additions could signal an increase in subscription revenue, higher customer retention, and an increase in the effectiveness of our sales efforts. Similarly, a decrease in net subscriber additions could signal decreased subscription revenue, lower customer retention, and a decrease in the effectiveness of our sales efforts. Net subscriber additions above or below our business plan could have a long-term impact on our operating results due to the subscription nature of our business.

Customer Retention Rate (Retention Rate)

Customer retention rate is defined as the trailing twelve month retention metric which we measure as the subscribers at the end of the period (less acquired customers, if applicable) divided by the sum of the subscribers at the beginning of the period and the new subscribers added during the last twelve months. Customer cancellations in the trailing twelve months include cancellations from subscriber additions, which is why we include subscriber additions in the denominator. Retention rate is the key metric that allows management to evaluate whether we are retaining our existing subscribers in accordance with our business plan.

Average Revenue per User (Subscriber)

Monthly average revenue per user, or ARPU, is a metric we measure on a quarterly basis. We define ARPU as quarterly non-GAAP subscription revenue divided by the average of the number of subscribers at the beginning of the quarter and the number of subscribers at the end of the quarter, divided by the measurement period in months. We exclude from subscription revenue the impact of the fair value adjustments to deferred revenue resulting from acquisition-related write downs. The fair market value adjustments were $ 6.0 million and $ 4.3 million for the three months ended June 30, 2016 and 2015 , respectively. The fair market value adjustments were $14.6 million and $9.3 million for the six months ended June 30, 2016 and 2015, respectively. ARPU is the key metric that allows management to evaluate the impact on monthly revenue from product pricing, product sales mix trends, and up-sell/cross-sell effectiveness.

Sources of Revenue

Subscription Revenue

We currently derive a substantial majority of our revenue from fees associated with our subscription services, which generally include web services, online marketing, eCommerce, and domain name registration offerings. We bill a majority of our customers in advance through their credit cards, bank accounts, or business merchant accounts. The revenue is recognized on a daily basis over the life of the contract.

Professional Services and Other Revenue

We generate professional services revenue from custom website design, eCommerce store design and support services. Our custom website design and eCommerce store design work is typically billed on a fixed price basis and over very short periods. Generally, revenue is recognized when the service has been completed.

Cost of Revenue

Cost of revenue consists of expenses related to compensation of our web page development staff, domain name registration costs, directory listing fees, eCommerce store design, online marketing costs, billing costs, hosting expenses, and allocated overhead costs. We allocate overhead costs such as rent and utilities to all departments based on headcount. Accordingly, general overhead expenses are reflected in each cost of revenue and operating expense category. As our customer base and web services usage grows, we intend to continue to invest additional resources in our website development staff.

Operating Expenses

Sales and marketing, technology and development and general and administrative expenses are expected to increase during the remainder of 2016 as we continue to integrate the operations of Yodle.

Sales and Marketing Expense

Our direct marketing expenses include the costs associated with the online marketing channels we use to promote our services and acquire customers. These channels include search marketing, affiliate marketing, direct television and radio advertising and online partnerships. Sales and marketing costs consist primarily of compensation and related expenses for our sales and marketing staff as well as customer support staff. Sales and marketing expenses also include marketing programs, such as advertising, corporate sponsorships and other corporate events and communications.

We plan to continue to invest in sales and marketing to add new subscription customers, and increase sales of additional and new services and products to our existing customer base. We also plan to continue investing in direct response television and radio advertising. We have invested a portion of our incremental marketing budget in branding activities such as the umbrella sponsorship of the Web.com Tour and other sports marketing activities.

Technology and development

Technology and development represents costs associated with creation, development and distribution of our products and websites. Technology and development expenses primarily consist of headcount-related costs associated with the design, development, deployment, testing, operation, enhancement of our products and management information systems personnel, as well as costs associated with the data centers and systems infrastructure supporting those products.

General and Administrative Expense

General and administrative expenses consist of compensation and related expenses for executive, finance and administration, as well as professional fees, corporate development costs, other corporate expenses, and allocated overhead costs.

Depreciation and Amortization Expense

Depreciation and amortization expenses relate primarily to our intangible assets recorded due to the acquisitions we have completed, as well as depreciation expense from computer and other equipment, internally developed software, furniture and fixtures, and building and improvement expenditures. Depreciation is expected to increase slightly as we continue to increase our efforts for internally developed software projects as well as from the fixed assets acquired in connection with the Yodle acquisition. Amortization expense is expected to continue to increase during the remainder of 2016 from the amortization of intangible assets acquired from the Yodle acquisition.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2016.

Results of Operations

Comparison of the results for the three months ended June 30, 2016 to the results for the three months ended June 30, 2015

The operations of Yodle began integrating with the existing legacy Web.com operations immediately following the closing of the acquisition on March 9, 2016. As such, revenue, ARPU or gross margin is not specifically segregated subsequent to the acquisition, nor would it be indicative of each of the standalone entities.

The following table sets forth our key business metrics:

	Three months ended June 30,	
	2016 (1)	**2015**
	(unaudited)	
Ending Subscribers as of June 30,	3,443,000	3,316,000
Net subscriber additions	20,000	21,000
Average revenue per user (monthly)	$ 18.66	$ 13.91

(1) The metrics for the quarter ended June 30, 2016 include the operating results of Yodle, Inc.

Net organic subscribers increased by approximately 20,000 subscribers during the three months ended June 30, 2016 , as compared to an increase of approximately 21,000 subscribers during the three months ended June 30, 2015 . The increase in subscribers is primarily due to marketing and customer service efforts in prior periods, as well as during the quarter ended

June 30, 2016 . Our rolling twelve month retention rate [1] as of June 30, 2016 was 86.5% compared to 87.7% during the same prior year period.

Revenue

	Three months ended June 30,	
	2016	2015
	(unaudited, in thousands)	
Revenue:		
Subscription	$ 186,121	$ 133,685
Professional services and other	1,697	2,034
Total revenue	$ 187,818	$ 135,719

Total revenue increased to $ 187.8 million in the three months ended June 30, 2016 up from $ 135.7 million in the three months ended June 30, 2015 . Total revenue includes $6.0 million and $4.3 million of unfavorable impact resulting from amortizing into revenue, deferred revenue that was recorded at fair value at the acquisition date during the three months ended June 30, 2016 and 2015, respectively. The unfavorable impact increased $1.8 million during the three months ended June 30, 2016 , compared to the same prior period, due to the deferred revenue of Yodle that was also recorded at fair value at the acquisition date and amortized into revenue during the quarter. The remaining $53.9 million increase in revenue during the three months ended June 30, 2016 , is driven principally by the acquisition of Yodle, in addition to increased Do-It-For-Me website revenue as well as online marketing revenue. These increases were partially offset by a decline in hosting revenue and domain and domain-related product revenues.

Subscription Revenue . Subscription revenue increased during the three months ended June 30, 2016 , to $186.1 million up from $133.7 million during the three months ended June 30, 2015 . The increase is primarily due to the acquisition of Yodle in March of 2016 in addition to the other revenue drivers discussed above.

Professional Services and Other Revenue. Professional services revenue was 17% lower at $1.7 million in the three months ended June 30, 2016 down from $2.0 million for the three months ended June 30, 2015 . The decrease was principally driven by a lower volume of custom design professional services.

Cost of Revenue

	Three months ended June 30,	
	2016	2015
	(unaudited, in thousands)	
Cost of revenue	$ 59,743	$ 47,102

Cost of Revenue. Cost of revenue increased 27% or $12.6 million during the three months ended June 30, 2016 , compared to the three months ended June 30, 2015 . A majority of the increase was due to the costs associated with the additional revenue due to the Yodle acquisition that closed in March 2016 and to a $1.1 million increase in online marketing expenses. These increases were partially offset by approximately $1.0 million of lower domain-related costs, due to lower overall volume of domains under management as certain promotional domain products became fully amortized.

Our gross margin was 68% during the three months ended June 30, 2016 up from 65% during the same prior year period due to the inclusion of higher margin Yodle products. Excluding the $ 6.0 million and $ 4.3 million effect of the adjustment related to the fair value of acquired deferred revenue for the three months ended June 30, 2016 and 2015 , respectively, gross margin was 69% and 66% for the three months ended June 30, 2016 and 2015, respectively.

Operating Expenses

	Three months ended June 30,	
	2016	2015

		(unaudited, in thousands)	
Operating Expenses:			
Sales and marketing	$	58,448	$	35,680
Technology and development		15,533		5,858
General and administrative		23,465		18,273
Restructuring expense		778		22
Depreciation and amortization		22,273		13,849
Total operating expenses	$	120,497	$	73,682

Sales and Marketing Expenses. Sales and marketing expenses increased 64% to $58.4 million and were 31% of total revenue during the three months ended June 30, 2016 , up from $35.7 million , which was approximately 26% of revenue during the three months ended June 30, 2015 . Sales and marketing expenses increased approximately $22.8 million primarily due to the acquisition of Yodle in March 2016. In addition, marketing-related compensation expense increased $3.0 million during the three months ended June 30, 2016 when compared to the same prior year period. The increase was partially offset by $1.1 million of overall lower general marketing expenses, primarily from direct response television advertising.

Technology and Development Expenses. Technology and development expenses of $ 15.5 million , or 8% of total revenue, increased by $9.7 million during the three months ended June 30, 2016 , from $5.9 million , or 4% of total revenue during the three months ended June 30, 2015 . The increase was primarily from the technology expenses related from the acquisition of Yodle in March 2016 and a $2.1 million increase in compensation and benefits expense.

General and Administrative Expenses. General and administrative expenses increased $5.2 million to $23.5 million , or 12% of total revenue, during the three months ended June 30, 2016 , as compared to $18.3 million , or 13% of total revenue during the three months ended June 30, 2015 . The increase was due to the $7.7 million of additional general and administrative expenses related to the Yodle acquisition in March 2016, as well as, one-time expenses related to the close of the acquisition for investment banking and due diligence services. These expenses were offset primarily by $3.7 million of lower incentive compensation expenses when compared to the same prior year period.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $8.4 million to $22.3 million during the three months ended June 30, 2016 , compared to the three months ended June 30, 2015 . Amortization expense increased by $7.0 million primarily from the intangible assets acquired as part of the Yodle acquisition. In addition, depreciation expense increased by $1.4 million during the three months ended June 30, 2016 , $0.9 million of which, is from depreciating assets acquired from the Yodle acquisition. The remaining $0.5 million increase is from a higher volume of internally developed software projects that were placed into service.

Interest Expense, net. Net interest expense totaled $8.7 million and $5.2 million for the three months ended June 30, 2016 and 2015 , respectively. Included in the interest expense for each of the three months ended June 30, 2016 and 2015 , is $3.7 million and $2.8 million of deferred financing fee and loan origination discount amortization, respectively. Loan interest expense, excluding amortization, increased $2.6 million during the second quarter ended June 30, 2016 , compared to the second quarter of 2015 , primarily due to the higher debt levels from the additional debt incurred and slightly higher interest rates in effect from financing the Yodle acquisition.

Income Tax Expense. We recorded income tax expense of $0.5 million and $5.2 million during the three months ended June 30, 2016 and 2015 , respectively, based upon our estimated annual effective tax rates for each year. Our estimated annual effective tax rate for 2016 reflects the impact of net unfavorable permanent book-tax differences estimated for the year and an increase in the projected year-end valuation allowance related to certain state and foreign deferred tax assets. The estimated annual effective tax rate for 2015 reflected the estimated increase in the Company’s projected year-end valuation allowance related to the projected increase in non-reversing deferred tax liabilities, and reduced by forecasted pre-tax income for the year.

Results of Operations

Comparison of the results for the six months June 30, 2016 and for the six months ended June 30, 2015

The following table sets forth our key business metrics:

	Six months ended June 30,	
	2016 (1)	2015
	(unaudited)	
Ending subscribers June 30,	3,443,000	3,316,000
Net subscriber additions	90,000	40,000
Average revenue per user (monthly)	$ 16.88	$ 13.83

(1) The metrics for the six months ended June 30, 2016 include the operating results and 53,000 customers of Yodle, Inc.

As part of the acquisition of Yodle, we acquired approximately 53,000 subscribers in March 2016. In addition, net organic subscribers increased by approximately 37,000 subscribers during the six months ended June 30, 2016, as compared to an increase of approximately 40,000 subscribers during the six months ended June 30, 2015. The increase in subscribers is primarily due to marketing and customer service efforts in prior periods, as well as during the quarter ended June 30, 2016 . Our rolling twelve month retention rate as of June 30, 2016 was 86.5% compared to 87.7% during the same prior year period. The retention rate continued to remain strong, also due to customer service and marketing efforts.

Revenue

	Six months ended June 30,	
	2016	2015
	(unaudited, in thousands)	
Revenue:		
Subscription	$ 329,312	$ 264,145
Professional services and other	3,304	4,174
Total revenue	$ 332,616	$ 268,319

Total revenue increased 24% to $332.6 million in the six months ended June 30, 2016 , from $268.3 million in the six months ended June 30, 2015 . The acquisition of Yodle in March 2016 contributed to the majority of the increase in revenue during the six months ended June 30, 2016. Total revenue during the six months ended June 30, 2016 and 2015 , includes the unfavorable impact of $14.6 million and $9.3 million , respectively, from amortizing into revenue, deferred revenue that was recorded at fair value at the acquisition date. The unfavorable impact increased $5.3 million during the six months ended June 30, 2016 primarily from deferred revenue acquired from the March 2016 acquisition of Yodle. Additionally, revenues decreased slightly during the six months ended June 30, 2016 compared to the same prior year period and was principally driven by decreased Do-It-Yourself website revenue, and hosting and advertising revenues, partly offset by improvements in Do-It-For-Me website revenue, as well as higher ecommerce and online marketing revenue.

Subscription Revenue . Subscription revenue increased 25% during the six months ended June 30, 2016 to $329.3 million from $264.1 million during the six months ended June 30, 2015 . The increase is due to the overall revenue drivers discussed above.

Professional Services and Other Revenue. Professional services revenue of $3.3 million decreased $0.9 million from $4.2 million during the six months ended June 30, 2016 due to a lower volume of custom design professional services.

Cost of Revenue

	Six months ended June 30,	
	2016	2015
	(unaudited, in thousands)	
Cost of revenue	$ 110,826	$ 95,804

Cost of Revenue. Cost of revenue increased 16% or $15.0 million during the six months ended June 30, 2016 compared to the six months ended June 30, 2015 . The acquisition of Yodle was the primary driver for the higher cost of revenue during the six months ended June 30, 2016, partly offset by $2.5 million of lower domain-related costs.

Our gross margin of 67% during the six months ended June 30, 2016 increased from 64% during the six months ended June 30, 2015 primarily from the higher margin Yodle product offerings in addition to a decline in domain-related expenses. Excluding the $14.6 million and $9.3 million effect of the adjustment related to the fair value of acquired deferred revenue for the six months ended June 30, 2016 and 2015 , respectively, gross margin increased from 65% to 68% during the six months ended June 30, 2016 compared to the same prior year period.

Operating Expenses

	Six months ended June 30,	
	2016	**2015**
	(unaudited, in thousands)	
Operating Expenses:		
Sales and marketing	$ 100,459	$ 71,359
Technology and development	24,611	11,660
General and administrative	43,129	35,484
Restructuring expense	914	335
Depreciation and amortization	38,186	27,593
Total operating expenses	$ 207,299	$ 146,431

Sales and Marketing Expenses. Sales and marketing expenses increased 41% from $71.4 million or 27% of revenue during the six months ended June 30, 2015 to $100.5 million or 30% of revenue during the six months ended June 30, 2016 . The $29.1 million increase was driven principally from the additional expenses from the Yodle acquisition. Excluding the impact of the acquisition, compensation and benefits increased $4.4 million during the six months ended June 30, 2016, partly offset by a decrease in affiliate-related marketing expenses, when compared to the same prior year period.

Technology and Development Expenses. Technology and development expenses increased 111% to $24.6 million , or 7% of total revenue, during the six months ended June 30, 2016 up from $11.7 million , or 4% of total revenue during the six months ended June 30, 2015. The increase was driven by the acquisition of Yodle in addition to $3.6 million of higher compensation and benefits expense partially from less labor dollars being capitalized in connection with internally developed software projects during the six months ended June 30, 2016 when compared to the same prior year period.

General and Administrative Expenses. General and administrative expenses increased 22% to $43.1 million , or 13% of total revenue, during the six months ended June 30, 2016 , up from $35.5 million or 13% of total revenue during the six months ended June 30, 2015 . The acquisition of Yodle resulted in an additional $8.8 million of increased general and administrative expenses during the six months ended June 30, 2016. In addition, acquisition-related closing costs contributed to the higher general and administrative costs, while salary and incentive-based compensation expenses declined $4.6 million during the six months ended June 30, 2016.

Depreciation and Amortization Expense. Depreciation and amortization expense increased to $38.2 million during the six months ended June 30, 2016 from $27.6 million during the six months ended June 30, 2015 . Amortization expense is $8.5 million higher during the six months ended June 30, 2016 primarily from amortizing the intangible assets that were acquired from the March 2016 Yodle acquisition. Depreciation expense was also up $2.1 million during the six months ended June 30, 2016 when compared to the same prior year period, also from the assets acquired from Yodle in addition to higher internally developed software projects that continue to be placed in service.

Interest Expense, net. Net interest expense totaled $14.3 million and $10.4 million for the six months ended June 30, 2016 and 2015, respectively. Included in interest expense during the six months ended June 30, 2016 and 2015 was $6.7 million and $5.6 million of amortization of debt issuance costs, respectively. Excluding amortization, interest expense increased from $7.6 million and $4.8 million during the six months ended June 30, 2016 and 2015, respectively. The increase was driven from the higher debt levels and slightly higher interest rates resulting from the financing of the Yodle acquisition.

Income Tax Expense. We recorded an income tax expense of $1.5 million and $8.8 million during the six months ended June 30, 2016 and 2015, respectively, based upon our estimated annual effective tax rates for each year. Our estimated annual effective tax rate for 2016 reflects the impact of net unfavorable permanent book-tax differences estimated for the year and an increase in the projected year-end valuation allowance related to certain state and foreign deferred tax assets. The estimated annual effective tax rate for 2015 reflected the estimated increase in the Company's projected year-end valuation allowance related to the projected increase in non-reversing deferred tax liabilities, and reduced by forecasted pre-tax income for the year.

Outlook. For 2016, we expect a meaningful increase in our revenue due to the acquisition of Yodle, which closed in the first quarter of 2016. We also anticipate revenue growth from our continued focus on our value added digital marketing solutions partially offset by declines in our Do-It-Yourself and domain name product lines. We expect to generate strong free cash flow which will be used to pay down debt and repurchase common shares.

Liquidity and Capital Resources

The following table summarizes total cash flows for operating, investing and financing activities for the six months ended June 30, (in thousands):

	Six months ended June 30,	
	2016	2015
	(unaudited, in thousands)	
Net cash provided by operating activities	$ 45,288	$ 77,411
Net cash used in investing activities	(312,868)	(8,386)
Net cash provided by (used in) financing activities	257,857	(75,606)
Effect of exchange rate changes on cash	(33)	2
Decrease in cash and cash equivalents	$ (9,756)	$ (6,579)

Cash Flows

As of June 30, 2016 , we had $ 8.9 million of cash and cash equivalents and $ 214.3 million in negative working capital, as compared to $ 18.7 million of cash and cash equivalents and $ 167.7 million in negative working capital as of December 31, 2015 . The unfavorable change in working capital is primarily due to increases in deferred revenue, deferred consideration and accrued expenses, primarily resulting from the March 2016 acquisition of Yodle. Accounts payable, prepaid expenses and accounts receivable are also higher when compared to December 31, 2015 primarily from the assets and liabilities of Yodle that were acquired in the three months ended March 31, 2016. In addition, there's approximately $19.1 million of deferred consideration in current liabilities, also resulting from the Yodle acquisition, which is payable to the sellers on March 9, 2017. The majority of the negative working capital continues to be due to significant balances of deferred revenue, partially offset by deferred expenses, which get amortized to revenue or expense rather than settled with cash. We expect cash generated from operating activities to be more than sufficient to meet our future working capital and debt servicing requirements.

Net cash provided by operations for the six months ended June 30, 2016 decreased $32.1 million to $45.3 million down from the six months ended June 30, 2015 . Included in the cash provided by operating activities is $3.9 million of acquisition-related transaction costs that were paid during the six months ended June 30, 2016 . The working capital changes also reflect the requirement to fund $5.9 million of letters of credit that are restricted by operating leases of Yodle. In addition, the annual performance bonuses paid in the six months ended June 30, 2016 were higher than for the same prior year period. Finally, accounts payable and accrued expense payments were also unfavorable during the six months ended June 30, 2016 due primarily to the Yodle acquisition.

Net cash used in investing activities during the six months ended June 30, 2016 was $ 312.9 million , as compared to $8.4 million in the six months ended June 30, 2015 . The quarter ended March 31, 2016 included a $300.3 million payment for the acquisition of 100% of the outstanding shares of Yodle, Inc., a leader in value added digital marketing solutions that further solidifies our position as a leading national provider in this space. In addition, on May 31, 2016, we purchased the assets of TORCHx, Inc. a a Florida corporation for $4.5 million, of which $3.0 million was paid at closing with the remaining $1.5 million payable on November 30, 2017. See Note 2, *Business Combinations* , for additional information surrounding these acquisitions. Also included in cash used in investing activities for the six months ended June 30, 2016 is a $1.3 million payment for domain registrar credentials that were acquired during the period.

Net cash provided by financing activities during the six months ended June 30, 2016, reflects the increase in long term debt from our amended credit agreement to fund the acquisition of Yodle Inc., on March 9, 2016. During the six months ended June 30, 2016, common stock repurchases of 1.0 million common shares totaling $16.9 million were made in connection with our stock repurchase program announced on November 5, 2014. Proceeds received from the exercise of stock options decreased by

$3.0 million to $ 1.2 million in the six months ended June 30, 2016 when compared to the same prior year period. Approximately $ 3.2 million and $2.3 million of cash was used to pay employee minimum tax withholding requirements in lieu of receiving common shares during the six months ended June 30, 2016 and 2015 , respectively. The six months ended June 30, 2016 included $5.7 million of loan origination and arrangement fees in connection with the March 2016 amendment to the credit agreement. See Note 6, *Long term Debt* , for additional information surrounding the amendment.

Debt Covenants

The amendment to the credit agreement entered into on February 11, 2016 with an effective date of March 9, 2016, continue to require that we not exceed a maximum first lien net leverage ratio and that we maintain a minimum consolidated cash interest expense to consolidated EBITDA coverage ratio as set forth in the table below. The first lien net leverage ratio is defined as the total of the outstanding consolidated first lien debt minus up to $50.0 million of unrestricted cash and cash equivalents, divided by consolidated EBITDA. The consolidated interest coverage ratio is defined as consolidated EBITDA divided by consolidated cash interest expense. Consolidated EBITDA is defined as consolidated net income before (among other things) interest expense, income tax expense, depreciation and amortization, impairment charges, restructuring costs, changes in deferred revenue and deferred expenses, stock-based compensation expense, non-cash losses, acquisition-related costs and includes the benefit of annualized synergies due to the Yodle acquisition.

Outstanding debt as of June 30, 2016 for purposes of the First Lien Net Leverage Ratio was approximately $470.8 million . The covenant calculations as of June 30, 2016 on a trailing 12-month basis are as follows:

Covenant Description	Covenant Requirement as of June 30, 2016	Ratio at June 30, 2016	Favorable/ (Unfavorable)
Consolidated Net Debt to EBITDA	Not greater than 3.25	2.54	0.71
Consolidated Interest Coverage Ratio	Greater than 2.00	11.27	9.27

In addition to the financial covenants listed above, the credit agreement includes customary covenants that limit (among other things) the incurrence of debt, the disposition of assets, and making of certain payments. Substantially all of our tangible and intangible assets collateralize the long-term debt as required by the credit agreement.

Stock Repurchase Plan

In October 2014, our Board of Directors authorized a plan for the repurchase of up to $100.0 million of our outstanding common shares through December 31, 2016.

The timing, price and volume of repurchases will be based on market conditions, restrictions under applicable securities laws and other factors. The repurchase program does not require us to repurchase any specific number of shares, and we may terminate the repurchase program at any time.

The repurchases may be made periodically in a variety of ways including open market purchases at prevailing market prices, in privately negotiated transactions, or pursuant to a 10b5-1 plan. See Item 2, *Issuer Repurchases of Equity Securities* , for additional information.

New Accounting Standards

See Note 1. *The Company and Summary of Significant Accounting Policies* , for a discussion of recently issued accounting pronouncements that may affect our financial results and disclosures in future periods.

Non-GAAP Financial Measures

In addition to our financial information presented in accordance with U.S. GAAP, management uses certain “non-GAAP financial measures” within the meaning of the SEC Regulation G. Generally, a non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flows that excludes or includes amounts that are included in or excluded from the most directly comparable measure calculated and presented in accordance with U.S. GAAP.

We believe presenting non-GAAP measures is useful to investors because it describes the operating performance of the company, excluding some recurring charges that are included in the most directly comparable measures calculated and presented in accordance with GAAP. Our management uses these non-GAAP measures as important indicators of the Company's past performance and in planning and forecasting performance in future periods. The non-GAAP financial information we present may not be comparable to similarly-titled financial measures used by other companies, and investors should not consider non-GAAP financial measures in isolation from, or in substitution for, financial information presented in compliance with GAAP. You are encouraged to review the reconciliation of non-GAAP financial measures to GAAP financial measures included in this Quarterly Report on Form 10-Q.

Relative to each of the non-GAAP measures Web.com presents, management further sets forth its rationale as follows:

- *Non-GAAP Revenue* . Web.com excludes from non-GAAP revenue the impact of the fair value adjustment to amortized deferred revenue because we believe that excluding such measures helps management and investors better understand our revenue trends.

- *Non-GAAP Operating Income and Non-GAAP Operating Margin* . Web.com excludes from non-GAAP operating income and non-GAAP operating margin, amortization of intangibles, fair value adjustment to deferred revenue and deferred expense, restructuring expenses, corporate development expenses, and stock-based compensation charges, because management believes that adjusting for such measures helps management and investors better understand the Company's operating activities.

- *Non-GAAP Net Income and Non-GAAP Net Income Per Basic and Diluted Share* . Web.com excludes from non-GAAP net income and non-GAAP net income per basic and diluted share amortization of intangibles, income tax provision, fair value adjustment to deferred revenue and deferred expense, restructuring expenses, corporate development expenses, amortization of debt discounts and fees, and stock-based compensation, and includes estimated cash income tax payments, because management believes that adjusting for such measures helps management and investors better understand the Company's operating activities.

- *Adjusted EBITDA and Adjusted EBITDA Margin* . Web.com excludes from adjusted EBITDA and adjusted EBITDA margin depreciation and amortization expense, income tax provision, interest expense, interest income, stock-based compensation, fair value adjustments to deferred revenue and deferred expense, corporate development expenses and restructuring expenses, because management believes that excluding such items helps investors better understand the Company's operating activities.

- *Non-GAAP Gross Profit and Non-GAAP Gross Margin* . Web.com excludes from non-GAAP gross profit and non-GAAP gross margin, fair value adjustment to deferred revenue and deferred expense, and stock based compensation charges, because management believes that adjusting for such measures helps management and investors better understand the Company's operating activities.

- *Free Cash Flow.* Free cash flow is a non-GAAP financial measure that Web.com uses and defines as net cash provided by operating activities less capital expenditures. The Company considers free cash flow to be a liquidity measure which provides useful information to management and investors about the amount of cash generated by the business after the acquisition of property and equipment, which can then be used for investment opportunities.

In respect of the foregoing, Web.com provides the following supplemental information to provide additional context for the use and consideration of the non-GAAP financial measures used elsewhere in this Quarterly Report on Form 10-Q:

- *Stock-based compensation* . These expenses consist of expenses for employee stock options and employee awards under Accounting Standards Codification ("ASC") 718-10. While stock-based compensation expense calculated in accordance with ASC 718-10 constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because such expense is not used by management to assess the core profitability of the Company's business operations. Web.com further believes these measures are useful to investors in that they allow for greater transparency to certain line items in our financial statements. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.

- *Amortization of intangibles* . Web.com incurs amortization of acquired intangibles under ASC 805-10-65. Acquired intangibles primarily consist of customer relationships, customer lists, non-compete agreements, trade names, and developed technology. Web.com expects to amortize for accounting purposes the fair value of the acquired intangibles based on the pattern in which the economic benefits of the intangible assets will be consumed as revenue is generated. Although the intangible assets generate revenue, the Company believes the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.

- *Depreciation expense* . Web.com records depreciation expense associated with its fixed assets. Although its fixed assets generate revenue for Web.com, the item is excluded because management believes certain non-GAAP financial measures excluding this item provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.

- *Amortization of debt discounts and fees* . Web.com incurs amortization expense related to debt discounts and deferred financing fees. The difference between the effective interest expense and the coupon interest expense (i.e. debt discount), as well as, amortized deferred financing fees are excluded because Web.com believes the non-GAAP measures excluding these items provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.

- *Restructuring expense* . Web.com has recorded restructuring expenses and excludes the impact of these expenses from its non-GAAP measures, because such expense is not used by management to assess the core profitability of the Company's business operations.

- *Income tax expense* . Due to the magnitude of Web.com's historical net operating losses and related deferred tax asset, the Company excludes income tax from its non-GAAP measures primarily because it is not indicative of the actual tax to be paid by the Company and therefore is not reflective of ongoing operating results. The Company believes that excluding this item provides meaningful supplemental information regarding the Company's operational performance and facilitates management's internal comparisons to the Company's historical operating results and comparisons to the Company's competitors' operating results. The Company includes the estimated tax that the Company expects to pay for operations during the periods presented.

- *Fair value adjustment to deferred revenue and deferred expense* . Web.com has recorded a fair value adjustment to acquired deferred revenue and deferred expense in accordance with ASC 805-10-65. Web.com excludes the impact of these adjustments from its non-GAAP measures, because doing so results in non-GAAP revenue and non-GAAP net income which are reflective of ongoing operating results and more comparable to historical operating results, since the majority of the Company's revenue is recurring subscription revenue. Excluding the fair value adjustment to deferred revenue and deferred expense therefore facilitates management's internal comparisons to Web.com's historical operating results.

- *Corporate development expenses* . Web.com incurred expenses relating to acquisitions and the successful integration of acquisitions. Web.com excludes the impact of these expenses from its non-GAAP measures, because such expense is not used by management to assess the core profitability of the Company's business operations.

- *Monthly average revenue per user, or ARPU* . ARPU is a metric we measure on a quarterly basis. We define ARPU as quarterly non-GAAP subscription revenue divided by the average of the number of subscribers at the beginning of the quarter and the number of subscribers at the end of the quarter, divided by three months. We exclude from subscription revenue the impact of the fair value adjustments to deferred revenue resulting from acquisition-related write downs.

The following table presents our non-GAAP measures for the periods indicated (in thousands, except for per share data and percentages):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Reconciliation of GAAP revenue to non-GAAP revenue				
GAAP revenue	$ 187,818	$ 135,719	$ 332,616	$ 268,319
Fair value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Non-GAAP revenue	$ 193,856	$ 139,971	$ 347,212	$ 277,664
Reconciliation of GAAP net (loss) income to non-GAAP net income				
GAAP net (loss) income	$ (1,606)	$ 4,550	$ (1,268)	$ 6,889
Amortization of intangibles	16,844	9,822	28,148	19,638
Stock based compensation	5,392	5,137	10,200	10,184
Income tax expense	522	5,203	1,500	8,764
Restructuring expense	778	22	914	335

Corporate development	529	—	3,868	597
Amortization of debt discounts and fees	3,687	2,822	6,685	5,620
Cash income tax expense	(730)	(520)	(1,055)	(787)
Fair value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Fair value adjustment to deferred expense	94	167	152	358
Non-GAAP net income	$ 31,548	$ 31,455	$ 63,740	$ 60,943
Reconciliation of GAAP net (loss) income per basic share to non-GAAP net income per basic share				
GAAP net (loss) income per basic share	$ (0.03)	$ 0.09	$ (0.03)	$ 0.14
Amortization of intangibles	0.34	0.20	0.56	0.39
Stock based compensation	0.11	0.10	0.21	0.20
Income tax expense	0.01	0.10	0.03	0.17
Restructuring expense	0.02	—	0.02	0.01
Corporate development	0.01	—	0.08	0.01
Amortization of debt discounts and fees	0.07	0.06	0.14	0.11
Cash income tax expense	(0.01)	(0.01)	(0.02)	(0.02)
Fair value adjustment to deferred revenue	0.12	0.08	0.30	0.18
Fair value adjustment to deferred expense	—	—	—	0.01
Non-GAAP net income per basic share	$ 0.64	$ 0.62	$ 1.29	$ 1.20
Non-GAAP diluted weighted average shares				
Diluted shares:				
Basic weighted average common shares	49,293	50,362	49,334	50,616
Diluted stock options	1,383	1,800	1,384	1,584
Diluted restricted stock	210	273	318	310
Total non-GAAP diluted weighted average common shares	50,886	52,435	51,036	52,510
Reconciliation of GAAP net income (loss) per diluted share to Non-GAAP net income per diluted share				
GAAP net (loss) income per diluted share	$ (0.03)	$ 0.09	$ (0.03)	$ 0.13
Diluted equity	—	—	0.01	—
Amortization of intangibles	0.32	0.19	0.54	0.37
Stock based compensation	0.11	0.10	0.20	0.18
Income tax expense	0.01	0.10	0.03	0.17
Restructuring expense	0.02	—	0.02	0.01
Corporate development	0.01	—	0.08	0.01
Amortization of debt discounts and fees	0.07	0.05	0.13	0.11
Cash income tax expense	(0.01)	(0.01)	(0.02)	(0.01)
Fair value adjustment to deferred revenue	0.12	0.08	0.29	0.18
Fair value adjustment to deferred expense	—	—	—	0.01
Non-GAAP net income per diluted share	$ 0.62	$ 0.60	$ 1.25	$ 1.16
Reconciliation of GAAP operating income to non-GAAP operating income				
GAAP operating income	$ 7,578	$ 14,935	$ 14,491	$ 26,084
Amortization of intangibles	16,844	9,822	28,148	19,638
Stock based compensation	5,392	5,137	10,200	10,184
Restructuring expense	778	22	914	335

Corporate development	529	—	3,868	597
Fair value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Fair value adjustment to deferred expense	94	167	152	358
Non-GAAP operating income	$ 37,253	$ 34,335	$ 72,369	$ 66,541

	Three months ended June 30,		Six months ended June 30,	
Reconciliation of GAAP operating margin to non-GAAP operating margin	**2016**	**2015**	**2016**	**2015**
GAAP operating margin	4 %	11%	4 %	10%
Amortization of intangibles	9	7	9	7
Stock based compensation	3	4	3	4
Restructuring expense	—	—	—	—
Corporate development	—	—	1	—
Fair value adjustment to deferred revenue	3	3	4	3
Fair value adjustment to deferred expense	—	—	—	—
Non-GAAP operating margin	19 %	25%	21 %	24%
Reconciliation of GAAP net (loss) income to adjusted EBITDA				
GAAP net (loss) income	$ (1,606)	$ 4,550	$ (1,268)	$ 6,889
Depreciation and amortization	22,273	13,849	38,186	27,593
Stock based compensation	5,392	5,137	10,200	10,184
Restructuring expense	778	22	914	335
Corporate development	529	—	3,868	597
Fair value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Fair value adjustment to deferred expense	94	167	152	358
Interest expense, net	8,662	5,182	14,259	10,431
Income tax expense	522	5,203	1,500	8,764
Adjusted EBITDA	$ 42,682	$ 38,362	$ 82,407	$ 74,496
Reconciliation of GAAP net (loss) income margin to adjusted EBITDA margin				
GAAP net (loss) income margin	(1)%	3%	— %	3%
Depreciation and amortization	12	9	12	10
Stock based compensation	3	4	3	4
Restructuring expense	—	—	—	—
Corporate development	—	—	1	—
Fair value adjustment to deferred revenue	3	3	4	3
Fair value adjustment to deferred expense	—	—	—	—
Interest expense, net	5	4	4	4
Income tax expense	—	4	—	3
Adjusted EBITDA margin	22 %	27%	24 %	27%

Reconciliation of GAAP gross profit to non-GAAP gross profit				
Gross Profit	$ 128,075	$ 88,617	$ 221,790	$ 172,515
Fair value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Fair value adjustment to deferred cost	94	167	152	358
Stock based compensation	268	512	763	1,020
Non-GAAP gross profit	$ 134,475	$ 93,548	$ 237,301	$ 183,238

Non-GAAP gross margin	69%	67%	68%	66%
Reconciliation of net cash provided by operating activities to free cash flow				
Net cash provided by operating activities	$ 30,813	$ 45,488	$ 45,288	$ 77,411
Capital expenditures	(4,451)	(4,307)	(8,306)	(7,911)
Free cash flow	$ 26,362	$ 41,181	36,982	69,500
Revenue				
Subscription	$ 186,121	$ 133,685	$ 329,312	$ 264,145
Professional services and other	1,697	2,034	3,304	4,174
Total	$ 187,818	$ 135,719	$ 332,616	$ 268,319
Stock based compensation				
Cost of revenue	$ 268	$ 512	$ 763	$ 1,020
Sales and marketing	1,426	1,214	2,563	2,449
Technology and development	921	747	1,614	1,510
General and administrative	2,777	2,664	5,260	5,205
Total	$ 5,392	$ 5,137	$ 10,200	$ 10,184
Reconciliation of GAAP revenue to non-GAAP subscription revenue used in ARPU				
GAAP revenue	$ 187,818	$ 135,719	$ 332,616	$ 268,319
Fair market value adjustment to deferred revenue	6,038	4,252	14,596	9,345
Non-GAAP revenue	$ 193,856	$ 139,971	$ 347,212	$ 277,664
Professional services and other revenue	(1,697)	(2,034)	(3,304)	(4,174)
Non-GAAP subscription revenue used in ARPU	$ 192,159	$ 137,937	$ 343,908	$ 273,490

Contractual Obligations and Commitments

We have no material changes outside the ordinary course of business to the Contractual Obligations table as presented in Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2016.

Off-Balance Sheet Arrangements

As of June 30, 2016 and December 31, 2015 , we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have not been any material changes to the disclosure about market risk since the year ended December 31, 2015. For a full description of our disclosures about market risk, see Item 7A — *Quantitative and Qualitative Disclosures About Market Risk,* in our 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2016.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

Based on their evaluation as of June 30, 2016 , our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective at the reasonable assurance level to ensure that the information required to be disclosed by us in this quarterly report on Form 10-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules, and that such information is accumulated and communicated to us to allow timely decisions regarding required disclosures.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Changes in Internal Controls Over Financial Reporting.

There have been no changes in our internal controls over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company and its subsidiaries receive inquiries from foreign, federal, state and local regulatory authorities or are named as defendants in various legal actions that are incidental to our business and arise out of or are related to claims made in connection with our marketing practices, customer and vendor contracts and employment related disputes. We believe that the resolution of these investigations, inquiries or legal actions will not have a material adverse effect on our financial position, marketing practices or results of operations. There were no material legal matters for which a loss was reasonably possible or estimable at June 30, 2016.

Item 1A. Risk Factors.

In evaluating Web.com and our business, you should carefully consider the risks and uncertainties set forth below, together with all of the other information in this report. The following risks should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. If any of the following risks occur, our business, financial condition, operating results, and prospects could be materially harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

The risks relating to our business and industry, as set forth in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 26, 2016, are set forth below and are unchanged substantively at June 30, 2016 .

Our operating results are difficult to predict and fluctuations in our performance may result in volatility in the market price of our common stock.

Due to our evolving business model and the unpredictability of our evolving industry our operating results are difficult to predict. We expect to experience fluctuations in our operating and financial results due to a number of factors, such as:

- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' requirements;
- the renewal rates and renewal terms for our services;
- changes in our pricing policies;
- the introduction of new services and products by us or our competitors;
- our ability to hire, train and retain members of our sales force;
- the rate of expansion and effectiveness of our sales force;
- technical difficulties or interruptions in our services;
- general economic conditions;
- additional investment in our services or operations;
- our ability to successfully identify acquisition targets and integrate acquired businesses and technologies; and
- our success in maintaining and adding strategic marketing relationships.

These factors and others all tend to make the timing and amount of our revenue unpredictable and may lead to greater period-to-period fluctuations in revenue than we have experienced historically.

Additionally, in light of current global and U.S. economic conditions, we believe that our quarterly revenue and results of operations are likely to vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful. The results of one quarter may not be relied on as an indication of future performance. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.

We may expand through acquisitions of, or investments in, other companies or technologies, which may result in additional dilution to our stockholders, consume resources that may be necessary to sustain our business and increase debt for funding acquisitions.

One of our business strategies is to acquire complementary services, technologies or businesses. In connection with one or more of those transactions, we may:

- issue additional equity securities that would dilute our stockholders;
- use cash that we may need in the future to operate our business; and
- incur debt that could have terms unfavorable to us or that we might be unable to repay.

Business acquisitions also involve the risk of unknown liabilities associated with the acquired business. In addition, we may not realize the anticipated benefits of any acquisition, including securing the services of key employees. Incurring unknown liabilities or the failure to realize the anticipated benefits of an acquisition could seriously harm our business.

The failure to integrate successfully the businesses of Web.com and an acquired company, if any, in the future within the expected timeframe would adversely affect the combined company's future results.

One of our business strategies is to acquire complementary services, technologies or businesses. The success of any future acquisition, including our acquisition of Yodle, will depend, in large part, on the ability of the combined company to realize the anticipated benefits, including annual net operating synergies, from combining the businesses of Web.com and the acquired company. To realize these anticipated benefits, the combined company must successfully integrate the businesses of Web.com and an acquired company. This integration will be complex and time consuming.

The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company's failure to achieve some or all of the anticipated benefits of the acquisition.

Potential difficulties that may be encountered in the integration process include the following:

- lost sales and customers as a result of customers of either of the two companies deciding not to do business with the combined company;
- complexities associated with managing the larger, more complex, combined business;
- integrating personnel from the two companies while maintaining focus on providing consistent, high quality services and products;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the acquisition; and
- performance shortfalls at one or both of the companies as a result of the diversion of management's attention caused by completing the acquisition and integrating the companies' operations.

Successful integration of Web.com's and an acquired company's operations, products and personnel may place a significant burden on the combined company's management and internal resources. Challenges of integration include the combined company's ability to incorporate acquired products and business technology into its existing product offerings, and its ability to sell the acquired products through Web.com's existing or acquired sales channels. Web.com may also experience difficulty in effectively integrating the different cultures and practices of the acquired company, as well as in assimilating its' broad and geographically dispersed personnel. Further, the difficulties of integrating the acquired company could disrupt the combined company's ongoing business, distract its management focus from other opportunities and challenges, and increase the combined company's expenses and working capital requirements. The diversion of management attention and any difficulties encountered in the transition and integration process could harm the combined company's business, financial condition and operating results.

We rely heavily on the reliability, security, and performance of our internally developed systems and operations, and any difficulties in maintaining these systems may result in service interruptions, decreased customer service, or increased expenditures.

The software and workflow processes that underlie our ability to deliver our web services and products have been developed primarily by our own employees. The reliability and continuous availability of these internal systems are critical to our business, and any interruptions that result in our inability to timely deliver our web services or products, or that materially impact the efficiency or cost with which we provide these web services and products, would harm our reputation, profitability, and ability to conduct business. In addition, many of the software systems we currently use will need to be enhanced over time or replaced with equivalent commercial products, either of which could entail considerable effort and expense. If we fail to develop and execute reliable policies, procedures, and tools to operate our infrastructure, we could face a substantial decrease in workflow efficiency and increased costs, as well as a decline in our revenue.

System and Internet failures could harm our reputation, cause our customers to request reimbursement for services paid for and not received or cause our customers to seek another provider for services.

We must be able to operate the systems that manage our network around the clock without interruption. Our operations depend upon our ability to protect our network infrastructure, equipment, and customer files against damage from human error, fire, earthquakes, hurricanes, floods, power loss, telecommunications failures, sabotage, intentional acts of vandalism and similar events. Our networks are currently subject to various points of failure. For example, a problem with one of our routers (devices that move information from one computer network to another) or switches could cause an interruption in the services that we provide to some or all of our customers. In the past, we have experienced periodic interruptions in service. We have also experienced, and in the future we may again experience, delays or interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees, or others. Any future interruptions could:

- cause customers or end users to seek damages for losses incurred;
- require us to replace existing equipment or add redundant facilities;
- damage our reputation for reliable service;
- cause existing customers to cancel their contracts; or
- make it more difficult for us to attract new customers.

We have been adversely affected by information security breaches and cyber security attacks and could be adversely affected by breaches or attacks in the future.

Information security risks have generally increased in recent years, in part because of the proliferation of new technologies and the use of the Internet, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, some of which may be linked to terrorist organizations or hostile foreign governments. Our web services involve the storage and transmission of our customers' and employees' proprietary information. Our business relies on our digital technologies, computer and email systems, software, and networks to conduct its operations. Our technologies, systems and networks may become the target of criminal cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of Web.com or third parties with whom we deal, or otherwise disrupt our or our customers' or other third parties' business operations. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Although we employ appropriate security technologies (including data encryption processes, intrusion detection systems), and conduct comprehensive risk assessments and other internal control procedures to assure the security of our customers' data, we cannot guarantee that these measures will be sufficient for this purpose.

For example, on August 13, 2015, we were subject to an unauthorized breach of one of our computer systems. As a result of this attack, the credit card information of approximately 93,000 customers (of the company's over 3.3 million customers) may have been compromised. If our security measures are breached again as a result of third-party action, employee error or otherwise, and as a result our customers' data becomes available to unauthorized parties, we could incur liability and our reputation would be damaged, which could lead to the loss of current and potential customers. If we experience any breaches of our network security or sabotage, we might be required to expend significant capital and other resources to detect, remedy, protect against or alleviate these and related problems, and we may not be able to remedy these problems in a timely manner, or at all. Because techniques used by outsiders to obtain unauthorized network access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Although we have insurance in place that covers such incidents, the cost of a breach or cyberattack could well exceed any such insurance coverage.

Our servers are also frequently subjected to denial of service attacks and other attempts to disrupt traffic to ours and our customers' websites. Although we have been able to minimize these disruptions in the past, there is no guarantee that we will be able to do so successfully in the future. Our customers and employees have been and will continue to be targeted by parties using fraudulent "spoof" and "phishing" emails to misappropriate personal information or to introduce viruses or other malware through "trojan horse" programs to our users' computers. These emails appear to be legitimate emails sent by us, but direct recipients to fake websites operated by the sender of the email or request that the recipient send a password or other confidential information through email or download malware. Despite our efforts to mitigate "spoof" and "phishing" emails through product improvements and user education, "spoof" and "phishing" activities remain a serious problem that may damage our brands, discourage use of our websites and services and increase our costs.

We could become involved in claims, lawsuits or investigations that may result in adverse outcomes.

We may become a target of government investigations, private claims, or lawsuits, involving but not limited to general business, patent, or employee matters, including consumer class actions challenging our business practices. Such proceedings may initially be viewed as immaterial but could prove to be material. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such investigations, claims and lawsuits could involve significant expense or divert management's attention and resources from other matters.

If we cannot adapt to technological advances, our web services and products may become obsolete and our ability to compete would be impaired.

Changes in our industry occur very rapidly, including changes in the way the Internet operates or is used by small businesses and their customers. As a result, our web services and products could become obsolete quickly. The introduction of competing products employing new technologies and the evolution of new industry standards could render our existing products or services obsolete and unmarketable. To be successful, our web services and products must keep pace with technological developments and evolving industry standards, address the ever-changing and increasingly sophisticated needs of our customers, and achieve market acceptance. If we are unable to develop new web services or products, or enhancements to our web services or products, on a timely and cost-effective basis, or if our new web services or products or enhancements do not achieve market acceptance, our business would be seriously harmed.

Mobile devices are increasingly being used to access the Internet, and our cloud-based and mobile support products may not operate or be as effective when accessed through these devices, which could harm our business.

We offer our products across several operating systems and through the Internet. Mobile devices, such as smartphones and tablets, are increasingly being used as the primary means for accessing the Internet and conducting e-commerce. We are dependent on the functionality of our products with third-party mobile devices and mobile operating systems, as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that impact the functionality of our products or give preferential treatment to competitive products could adversely affect usage of our products. In addition, because a growing number of our customers access our products through mobile devices, we are dependent on the interoperability of our products with mobile devices and operating systems. Improving mobile functionality is integral to our long-term product development and growth strategy. In the event that our customers have difficulty accessing and using our products on mobile devices, our customer growth, business and operating results could be adversely affected.

Our failure to build and maintain brand awareness could compromise our ability to compete and to grow our business.

As a result of the highly competitive nature of our market, and the likelihood that we will face competition from new entrants, we believe our own brand name recognition and reputation are important. If we do not continue to build and maintain brand awareness, we could be placed at a competitive disadvantage to companies whose brands are more recognizable than ours.

Providing web services and products to small businesses designed to allow them to Internet-enable their businesses is a fragmented and changing market; if this market fails to grow, we will not be able to grow our business.

Our success depends on a significant number of small businesses outsourcing website design, hosting, and management as well as adopting other online business solutions. The market for our web services and products is relatively fragmented and constantly changing. Custom website development has been the predominant method of Internet enablement, and small businesses may be slow to adopt our template-based web services and products. Further, if small businesses determine that having an online presence is not giving their businesses any advantages, they would be less likely to purchase our web services and products. If the market for our web services and products fails to grow or grows more slowly than we currently anticipate, or if our web services and products fail to achieve widespread customer acceptance, our business would be seriously harmed.

A portion of our web services are sold on a month-to-month basis, and if our customers are unable or choose not to subscribe to our web services, our revenue may decrease.

A portion of our web service offerings are sold pursuant to month-to-month subscription agreements and our customers generally can cancel their subscriptions to our web services at any time with little or no penalty.

There are a variety of factors, which have in the past led, and may in the future lead, to a decline in our subscription renewal rates. These factors include the cessation of our customers' businesses, the overall economic environment in the United States and its impact on small businesses, the services and prices offered by us and our competitors, and the evolving use of the Internet by small businesses. If our renewal rates are low or decline for any reason, or if customers demand renewal terms less favorable to us, our revenue may decrease, which could adversely affect our financial performance.

We were profitable for the year ended December 31, 2015 , but we were not profitable for the six months ended June 30, 2016 and the years ended December 31, 2014, and 2013 and we may not be profitable in the future.

We were profitable for the year ended December 31, 2015 but we were not profitable for the six months ended June 30, 2016 and the years ended December 31, 2014, 2013, and may not be profitable in future years. As of June 30, 2016 , we had an accumulated deficit of approximately $281.9 million . We expect that our expenses relating to the sale and marketing of our web services, technology improvements and general and administrative functions, as well as the costs of operating and maintaining our technology infrastructure, will remain consistent as a percentage of revenue. Accordingly, we may need to maintain or increase our revenue levels to be able to continue to maintain profitability. We may not be able to reduce in a timely manner or maintain our expenses in response to any decrease in our revenue, and our failure to do so would adversely affect our operating results and our level of profitability.

If Internet usage does not grow or if the Internet does not continue to be the standard for eCommerce, our business may suffer.

Our success depends upon the continued development and acceptance of the Internet as a widely used medium for eCommerce and communication. Rapid growth in the uses of, and interest in, the Internet is a relatively recent phenomenon and its continued growth cannot be assured. A number of factors could prevent continued growth, development and acceptance, including:

- the unwillingness of companies and consumers to shift their purchasing from traditional vendors to online vendors;
- the Internet infrastructure may not be able to support the demands placed on it, and its performance and reliability may decline as usage grows;
- security and authentication issues may create concerns with respect to the transmission over the Internet of confidential information; and
- privacy concerns, including those related to the ability of websites to gather user information without the user's knowledge or consent, may impact consumers' willingness to interact online.

Any of these issues could slow the growth of the Internet, which could limit our growth and revenues.

Charges to earnings resulting from acquisitions may adversely affect our operating results.

One of our business strategies is to acquire complementary services, technologies or businesses and we have a history of such acquisitions. Under applicable accounting, we allocate the total purchase price of a particular acquisition to an acquired company's net tangible assets and intangible assets based on their fair values as of the date of the acquisition, and record the excess of the purchase price over those fair values as goodwill. Our management's estimates of fair value are based upon assumptions believed to be reasonable but are inherently uncertain. Going forward, the following factors, among others, could result in material charges that would adversely affect our financial results:

- impairment of goodwill and/or intangible assets;
- charges for the amortization of identifiable intangible assets and for stock-based compensation;
- accrual of newly identified pre-merger contingent liabilities that are identified subsequent to the finalization of the purchase price allocation; and
- charges to eliminate certain of our pre-merger activities that duplicate those of the acquired company or to reduce our cost structure.

Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, accelerated amortization of deferred equity compensation and severance payments, reorganization or closure of facilities, taxes and termination of contracts that provide redundant or conflicting services. Some of these costs may have to be accounted for as expenses that would decrease our net income and earnings per share for the periods in which those adjustments are made.

In the future, we may be unable to generate sufficient cash flow to satisfy our debt service obligations.

As of June 30, 2016 , we had $387.6 million of aggregate principal amount of our Term Loan and $92.4 million of Revolving Credit Facility (defined in Note 6, *Long-Term Debt*) and $258.8 million aggregate principal amount of 1.00% Senior Convertible Notes due August 15, 2018 ("2018 Notes") outstanding. We entered into an Amendment to Credit Agreement, dated as of February 11, 2016, which became effective on March 9, 2016, of our Term Loan and Revolving Credit Facility pursuant to which certain of our lenders have provided an additional $200.0 million of senior secured term loans, the proceeds of which, together with $110.0 million of revolving loans and cash on hand, was used to fund the acquisition of Yodle, Inc. Our ability to generate cash flow from operations to make principal and interest payments on our debt will depend on our future performance, including the operations of Yodle upon the consummation of that transaction, which will be affected by a range of economic, competitive and business factors. If our operations do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may need to seek additional capital to make these payments or undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets or reducing or delaying capital investments and acquisitions. We cannot assure you that such additional capital or alternative financing will be available on favorable terms, if at all. Our inability to generate sufficient cash flow from operations or obtain additional capital or alternative financing on acceptable terms could harm our business, financial condition and results of operations. We may also choose to use cash flow from operations to repurchase shares of our common stock which would otherwise be available to pay down long-term debt.

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions, which may remain challenging for the foreseeable future. Global financial developments, such as the United Kingdom's decision to exit the European Monetary Union, may adversely impact the economy of the European Union, seemingly unrelated to us or our industry may harm us. The United States and other key international economies have been impacted by falling demand for a variety of goods and services, poor credit, restricted liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, and overall uncertainty with respect to the economy. These conditions affect spending and could adversely affect our customers' ability or willingness to purchase our service, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions, or affect renewal rates, all of which could harm our operating results.

Our existing and target customers are small businesses. These businesses may be more likely to be significantly affected by economic downturns than larger, more established businesses. For instance, a financial crisis affecting the banking system or financial markets or the possibility that financial institutions may consolidate or go out of business would result in a tightening in the credit markets, which could limit our customers' access to credit. Additionally, these customers often have limited discretionary funds, which they may choose to spend on items other than our web services and products. If small businesses experience economic hardship, or if they behave more conservatively in light of the general economic environment, they may be unwilling or unable to expend resources to develop their online presences, which would negatively affect the overall demand for our services and products and could cause our revenue to decline.

If we fail to comply with the established rules of credit card associations, we will face the prospect of financial penalties and could lose our ability to accept credit card payments from customers, which would adversely affect our business and financial condition.

A substantial majority of our revenue originates from online credit card transactions. Under credit card association rules, penalties may be imposed at the discretion of the association. Any such potential penalties would be imposed on our credit card processor by the association. Under our contract with our processor, we are required to reimburse our processor for such penalties. We face the risk that one or more credit card associations may, at any time, assess penalties against us or terminate our ability to accept credit card payments from customers, which would have a material adverse effect on our business, financial condition and results of operations.

Our data centers are maintained by third parties. A disruption in the ability of one of these service providers to provide service to us could cause a disruption in service to our customers.

A substantial portion of the network services and computer servers we utilize in the provision of services to customers are housed in data centers owned by other service providers. In particular, a significant number of our servers are housed in data centers in Atlanta, Georgia and Jacksonville, Florida. We obtain Internet connectivity for those servers, and for the customers who rely on those servers, in part through direct arrangements with network service providers and in part indirectly through the owners of those data centers. We also utilize other third-party data centers in other locations. In the future, we may house other servers and hardware items in facilities owned or operated by other service providers.

A disruption in the ability of one of these service providers to provide service to us could cause a disruption in service to our customers. A service provider could be disrupted in its operations through a number of contingencies, including unauthorized access, computer viruses, accidental or intentional actions, electrical disruptions, and other extreme conditions. Although we believe we have taken adequate steps to protect our business through contractual arrangements with our service providers, we cannot eliminate the risk of a disruption in service resulting from the accidental or intentional disruption in service by a service provider. Any significant disruption could cause significant harm to us, including a significant loss of customers. In addition, a service provider could raise its prices or otherwise change its terms and conditions in a way that adversely affects our ability to support our customers or could result in a decrease in our financial performance.

We face intense and growing competition. If we are unable to compete successfully, our business will be seriously harmed.

The market for our web services and products is highly competitive and is characterized by relatively low barriers to entry. Our competitors vary in terms of their size and what services they offer. We encounter competition from a wide variety of company types, including:

- website design and development service and software companies;

- Internet service providers and application service providers;
- Internet search engine providers;
- local business directory providers;
- website domain name providers and hosting companies; and
- eCommerce platform and service providers.

In addition, due to relatively low barriers to entry in our industry, we expect the intensity of competition to increase in the future from both established and emerging companies. Increased competition may result in reduced gross margins, the loss of market share, or other changes which could seriously harm our business. We also expect that competition will increase as a result of industry consolidations and formations of alliances among industry participants.

Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater brand recognition and, we believe, a larger installed base of customers. These competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the promotion and sale of their services and products than we can. If we fail to compete successfully against current or future competitors, our revenue could increase less than anticipated or decline and our business could be harmed.

We might require additional capital to support our growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new services and products, enhance our existing web services, or our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds.

In the event of another global financial crisis, such as the one experienced in 2008, which included, among other things, significant reductions in available capital from banks and other providers of credit and substantial reductions or fluctuations in equity and currency values worldwide, may make it difficult for us to obtain additional financing on terms favorable to us, if at all. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

We are subject to export control and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC. If we fail to comply with these laws and regulations, we could be subject to civil or criminal penalties and reputational harm. U.S. export control laws and economic sanctions laws also prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

Our business depends in part on our ability to continue to provide value-added web services and products, many of which we provide through agreements with third parties. Our business will be harmed if we are unable to provide these web services and products in a cost-effective manner.

A key element of our strategy is to combine a variety of functionalities in our web service offerings to provide our customers with comprehensive online solutions, such as Internet search optimization, local yellow pages listings, and eCommerce capabilities. We provide many of these services through arrangements with third parties, and our continued ability to obtain and provide these services at a low cost is central to the success of our business. For example, we currently have agreements with several service providers that enable us to provide, at a low cost, Internet yellow pages advertising. However, these agreements may be terminated on short notice, typically 30 to 90 days, without penalty. If any of these third parties were to terminate their relationships with us, or to modify the economic terms of these arrangements, we could lose our ability to provide these services at a cost-effective price to our customers, which could cause our revenue to decline or our costs to increase.

The Company's ability to use its net operating loss carry forwards ("NOLs") to offset future taxable income may be limited if taxable income does not reach sufficient levels, or as a result of a change in control which could limit available NOLs.

As of December 31, 2015, the Company has U.S. Federal NOLs of approximately $191.3 million (excluding $74.0 million related to excess tax benefits for stock-based compensation tax deductions in excess of book compensation which will be credited to additional paid-in capital when such deductions reduce taxes payable, as determined on a “with-and-without” basis) available to offset future taxable income which expire between 2020 and 2033. In connection with the Yodle acquisition in March 2016, the Company acquired additional U.S. Federal NOLs of approximately $71.4 million, which expire between 2027 and 2035. As discussed in Note 2, *Business Combinations,* Yodle NOLs are subject to additional review through the first quarter of 2017 and will be adjusted in subsequent periods to the extent applicable.

These NOLs are subject to various limitations under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, the Company estimates that at least $209.1 million of these NOLs will be available during the carry forward period based on our existing Section 382 limitations.

If the Company experiences any future “ownership change” as defined in Section 382 of the Code, the Company's ability to utilize its U.S. Federal NOLs could be further limited. Similar results could apply to our U.S. state NOLs because the states in which we operate generally follow Section 382.

As of December 31, 2015, the Company also had $63.8 million of NOLs in the United Kingdom related to Scoot, of which the substantial portion was incurred in pre-acquisition periods. Although not subject to expiration, pre-acquisition NOLs could be eliminated under certain circumstances, as determined under applicable tax laws in the United Kingdom, in the 3 year periods both before and after the acquisition date. Although the Company does not believe the pre-acquisition NOLs are subject to any such limitations to date, future activities could subject these NOLs to limitation. As of December 31, 2015, the Company's valuation allowance includes $60.8 million of these NOLs as it is not more likely than not that this portion of the NOLs will be realized based on the expected reversals of existing deferred tax liabilities.

The Company's ability to use its NOLs will also depend on the amount of taxable income generated in future periods. The U.S. NOLs may expire before the Company can generate sufficient taxable income to utilize the NOLs.

The accounting method for convertible debt securities that may be settled in cash, such as the 2018 Notes, could have a material effect on our reported financial results.

Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the 2018 Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the 2018 Notes is that the equity component is required to be included in the additional paid-in-capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the 2018 Notes. As a result, we will be required to record a greater amount of non-cash interest expense from the amortization of the discounted carrying value of the 2018 Notes to their face amount over the term of the 2018 Notes. We will also report lower net income or increased net loss in our financial results, the trading price of our common, and the trading price of the 2018 Notes.

In addition, under certain circumstances, convertible debt instruments (such as the 2018 Notes) that may be settled entirely or partly in cash may be accounted for utilizing the treasury stock method, the effect of which is that the shares that would be issuable upon conversion of the 2018 Notes are not included in the calculation of diluted earnings per share except to the extent the conversion value of the 2018 Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit our use the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the 2018 Notes, then our diluted earnings per share may be adversely affected.

Any growth could strain our resources and our business may suffer if we fail to implement appropriate controls and procedures to manage our growth.

Growth in our business may place a strain on our management, administrative, and sales and marketing infrastructure. If we fail to successfully manage our growth, our business could be disrupted, and our ability to operate our business profitably could suffer. Growth in our employee base may be required to expand our customer base and to continue to develop and enhance our web service and product offerings. To manage growth of our operations and personnel, we will need to enhance our operational, financial, and management controls and our reporting systems and procedures. This will require additional personnel and capital investments, which will increase our cost base. The growth in our fixed cost base may make it more difficult for us to reduce expenses in the short term to offset any shortfalls in revenue.

If we fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, which could cause our stock price to fall or result in our stock being delisted.

Effective internal controls are necessary for us to provide reliable and accurate financial reports. We will need to devote significant resources and time to comply with the requirements of Sarbanes-Oxley with respect to internal control over financial reporting. In addition, Section 404 under Sarbanes-Oxley requires that we assess and our auditors attest to the design and operating effectiveness of our internal control over financial reporting. Our ability to comply with the annual internal control report requirement in future years will depend on the effectiveness of our financial reporting and data systems and controls across our company and our operating subsidiaries. We expect these systems and controls to become increasingly complex as we integrate acquisitions and our business grows. To effectively manage this complexity, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures. Any failure to implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results or cause us to fail to meet our financial reporting obligations, which could adversely affect our business and jeopardize our listing on the NASDAQ Global Select Market, either of which would harm our stock price.

We dependent on our executive officers, and the loss of any key personnel may compromise our ability to successfully manage our business and pursue our growth strategy.

Our future performance depends largely on the continuing service of our executive officers and senior management team, especially that of David Brown, our Chief Executive Officer. Our executives are not contractually obligated to remain employed by us. Accordingly, any of our key employees could terminate their employment with us at any time without penalty and may go to work for one or more of our competitors after the expiration of their non-compete period. The loss of one or more of our executive officers could make it more difficult for us to pursue our business goals and could seriously harm our business.

Our growth will be adversely affected if we cannot continue to successfully retain, hire, train, and manage our key employees, particularly in the telesales and customer service areas.

Our ability to successfully pursue our growth strategy will depend on our ability to attract, retain, and motivate key employees across our business. We have many key employees throughout our organization that do not have non-competition agreements and may leave to work for a competitor at any time. In particular, we are substantially dependent on our telesales and customer service employees to obtain and service new customers. Competition for such personnel and others can be intense, and there can be no assurance that we will be able to attract, integrate, or retain additional highly qualified personnel in the future. In addition, our ability to achieve significant growth in revenue will depend, in large part, on our success in effectively training sufficient personnel in these two areas. New hires require significant training and in some cases may take several months before they achieve full productivity, if they ever do. Our recent hires and planned hires may not become as productive as we would like, and we may be unable to hire sufficient numbers of qualified individuals in the future in the markets where we have our facilities. If we are not successful in retaining our existing employees, or hiring, training and integrating new employees, or if our current or future employees perform poorly, growth in the sales of our services and products may not materialize and our business will suffer.

Increases in payment processing fees, changes to operating rules, the acceptance of new types of payment methods or payment fraud could increase our operating expenses and adversely affect our business and results of operations.

Our customers pay for our services predominately using credit and debit cards (together, "payment cards"). Our acceptance of these payment cards requires our payment of certain fees. From time to time, these fees may increase, either as a result of rate changes by the payment processing companies or as a result of a change in our business practices which increase the fees on a cost-per-transaction basis. Such increases may adversely affect our results of operations.

As our services continue to evolve and expand internationally, we will likely explore accepting various forms of payment, which may have higher fees and costs than our currently accepted payment methods. In addition, if more of our customers utilize higher cost payment methods, our payment costs could increase and our results of operations could be adversely impacted.

Furthermore, we do not obtain signatures from customers in connection with their use of payment methods. To the extent we do not obtain customer signatures, we may be liable for fraudulent payment transactions, even when the associated financial institution approves payment of the orders.

From time to time, fraudulent payment methods are used to obtain service. While we do have certain safeguards in place, we nonetheless experience some fraudulent transactions. The costs to us of these fraudulent transaction includes the costs of implementing as well as updating our safeguards. These fraudulent accounts also increase our bad debt expense and complicate our forecasting efforts as they result in almost 100% customer loss when they are discovered. We do not currently carry insurance against the risk of fraudulent payment transactions. A failure to adequately control fraudulent payment transactions may harm our business and results of operations.

Our business could be affected by new governmental regulations regarding the Internet.

To date, government regulations have not materially restricted the use of the Internet in most parts of the world. The legal and regulatory environment pertaining to the Internet, however, is uncertain and may change. New laws may be passed, existing but previously inapplicable or unenforced laws may be deemed to apply to the Internet or regulatory agencies may begin to rigorously enforce such formerly unenforced laws, or existing legal safe harbors may be narrowed, both by U.S. federal or state governments and by governments of foreign jurisdictions. These changes could affect:

- the liability of online resellers for actions by customers, including fraud, illegal content, spam, phishing, libel and defamation, infringement of third-party intellectual property and other abusive conduct;
- other claims based on the nature and content of Internet materials;
- user privacy and security issues;
- consumer protection;
- sales taxes by the states in which we sell certain of our products and other taxes, including the value-added tax of the European Union member states, which could impact how we conduct our business by requiring us to set up processes to collect and remit such taxes and could increase our sales audit risk;
- characteristics and quality of services; and
- cross-border eCommerce.

The adoption of any new laws or regulations, or the application or interpretation of existing laws or regulations to the Internet, could hinder growth in use of the Internet and online services generally, and decrease acceptance of the Internet and online services as a means of communication, ecommerce and advertising. In addition, such changes in laws could increase our costs of doing business, subject our business to increased liability or prevent us from delivering our services over the Internet, thereby harming our business and results of operations.

Changes in legislation or governmental regulations, policies or standards applicable to our product offerings may have a significant impact on our ability to compete in our target markets.

The telecommunications industry is regulated by the Federal Communications Commission ('FCC") in the U.S. While most such regulations do not affect us directly, certain of those regulations may affect our product offerings. For example, effective October 16, 2013, FCC rules were adopted to require companies to obtain prior express written consent from consumers before calling them with prerecorded telemarketing "robocalls" or before using an autodialer to call their wireless numbers with telemarketing messages unless an unambiguous written consent is obtained before the telemarketing call or text message. If we are unable to satisfy such FCC rules, we could be prevented from providing such product offering to our customers, which could materially and adversely affect our future revenues.

Our business could be materially harmed if the administration and operation of the Internet no longer rely upon the existing domain system.

The domain registration industry continues to develop and adapt to changing technology. This development may include changes in the administration or operation of the Internet, including the creation and institution of alternate systems for directing Internet traffic without the use of the existing domain system. The widespread acceptance of any alternative systems could eliminate the need to register a domain to establish an online presence and could materially adversely affect our business, financial condition and results of operations.

Activities of customers or the content of their websites could damage our reputation and brand or harm our business and financial results.

As a provider of domain name registration and hosting products and services, we may be subject to potential liability for the activities of our customers in connection with their use (including their misuse) of our offerings. Although our agreements with our customers prohibit unauthorized use of our products and services and permit us to take appropriate actions for such use, customers may nonetheless engage in prohibited activities, which could subject us to liability. Our reputation and brand may also be negatively impacted by the actions of customers. We do not proactively monitor or review the appropriateness of customers' use of our products or services, and we do not have control over customer activities. While we have safeguards in place, these mechanisms may not be sufficient to avoid harm to our reputation and brand.

Certain federal statutes may apply to us with respect to various activities of our customers, including: the Digital Millennium Copyright Act of 1998 ("DMCA"); the Communications Decency Act of 1996 ("CDA"); and the Anticybersquatting Consumer Protection Act ("ACPA"). The DMCA and the CDA generally protect online service providers like us from liability for certain activities of their customers. For example, the safe harbor provisions of the DMCA shield Internet service providers and other intermediaries from direct or indirect liability for copyright infringement. Under the CDA, we are generally not responsible for the customer-created content hosted on our servers and thus are generally immunized from liability for torts committed by others. Under the safe harbor provisions of the ACPA, domain name registrars are shielded from liability in many circumstances.

Changes to these laws and/or court rulings in pending or future litigation may narrow the scope of protection afforded us. Regardless of these protections, the activities of our customers may result in threatened or actual litigation against us. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

We may be unable to protect our intellectual property adequately or cost-effectively, which may cause us to lose market share or otherwise harm our competitive position.

Our success depends, in part, on our ability to protect and preserve the proprietary aspects of our technology, web services, and products. If we are unable to protect our intellectual property, our competitors could use our intellectual property to market services and products similar to those offered by us, which could decrease demand for our web services and products. We may be unable to prevent third parties from using our proprietary assets without our authorization. We do not currently rely on patents to protect all of our core intellectual property. To protect, control access to, and limit distribution of our intellectual property, we generally enter into confidentiality and proprietary inventions agreements with our employees, and confidentiality or license agreements with consultants, third-party developers, and customers. We also rely on copyright, trademark, and trade secret protection. However, these measures afford only limited protection and may be inadequate. Enforcing our rights to our technology could be costly, time-consuming and distracting. Additionally, others may develop non-infringing technologies that are similar or superior to ours. Any significant failure or inability to adequately protect our proprietary assets will harm our business and reduce our ability to compete.

Impairment of goodwill and other intangible assets would result in a decrease in earnings.

Current accounting rules require that goodwill and other intangible assets with indefinite useful lives may not be amortized, but instead must be tested for impairment at least annually. These rules also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We have substantial goodwill and other intangible assets, and we would be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined. Any impairment charges or changes to the estimated amortization periods could have a material adverse effect on our financial results.

Provisions in our amended and restated certificate of incorporation and bylaws or under Delaware law might discourage, delay, or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay, or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- establish a classified board of directors so that not all members of our board are elected at one time;
- provide that directors may only be removed for cause and only with the approval of 66 2/3% of our stockholders;
- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of blank check preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder and which may discourage, delay, or prevent a change of control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Repurchases of Equity Securities

Share repurchase activity during the three months ended June 30, 2016 was as follows:

Period	Total Number of Shares Purchased(*)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program (*)
April 1-April 30, 2016	—	$ —	—	$ 27,433,093
May 1-May 31, 2016	155,000	$ 16.79	155,000	$ 24,830,668
June 1-June 30, 2016	180,102	$ 17.44	180,102	$ 21,689,489
Total	335,102	$ 17.14	335,102	$ 21,689,489

(*) The share repurchases, totaling $16.9 million in the six months ended June 30, 2016, were made under our stock repurchase program announced on November 5, 2014, which authorizes the repurchase of up to $100 million of our outstanding shares of common stock from time to time. This program, according to its terms, will expire on December 31, 2016. Repurchases under the programs may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description of Document
2.4	Agreement and Plan of Merger dated February 11, 2016 by an among the Company, Barton Creek, Web.com LLC and Yodle, Inc. (1)
3.1	Amended and Restated Certificate of Incorporation of Web.com Group, Inc. (2)
3.2	Amended and Restated Bylaws of Web.com Group, Inc. (3)
3.3	Certificate of Ownership and Merger of Registration (4)
4.1	Reference is made to Exhibits 3.1 and 3.2
4.2	Specimen Stock Certificate. (4)
4.3	Indenture dated August 14, 2013 between the Company and Wells Fargo Bank, National Association, as Trustee. (5)
4.4	First Supplemental Indenture, dated August 14, 2013, between the Company and Wells Fargo Bank, National Association, as Trustee (including the form of 1.00% Senior Convertible Notes due 2018). (6)
10.1	Amendment to Credit Agreement, dated as of February 11, 2016, by and among the Company, the guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. (7)
31.1	Chief Executive Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a).
31.2	Chief Financial Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a).
32.1	Certifications of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350). (8)
EX-101.INS	XBRL Instance Document.*
EX-101.SCH	XBRL Taxonomy Extension Schema Document.*
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.*
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.*
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase Document.*
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* The XBRL information is being furnished with this Form 10-Q, not filed

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(1) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on February 16, 2016, and incorporated herein by reference.
(2) Filed as an Exhibit to the Registrant’s registration statement on Form S-1 (No. 333-124349), filed with the SEC on April 27, 2005, as amended, and incorporated herein by reference.
(3) Filed as an Exhibit to the Registrant’s current report on Form 8-K (000-51595), filed with the SEC on February 10, 2009, and incorporated herein by reference.
(4) Filed as an Exhibit to the Registrant’s current report on Form 8-K (000-51595), filed with the SEC on October 30, 2008, and incorporated herein by reference.
(5) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on August 14, 2013, and incorporated herein by reference.
(6) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on August 14, 2013, and incorporated herein by reference.
(7) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on February 16, 2016, and incorporated herein by reference.
(8) The certification attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Web.com Group, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Web.com Group, Inc.
	(Registrant)
August 8, 2016	/s/ Kevin M. Carney
Date	**Kevin M. Carney** **Chief Financial Officer** **(Principal Financial and Accounting Officer)**

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EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

(1) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on February 16, 2016, and incorporated herein by reference.
(2) Filed as an Exhibit to the Registrant’s registration statement on Form S-1 (No. 333-124349), filed with the SEC on April 27, 2005, as amended, and incorporated herein by reference.
(3) Filed as an Exhibit to the Registrant’s current report on Form 8-K (000-51595), filed with the SEC on February 10, 2009, and incorporated herein by reference.
(4) Filed as an Exhibit to the Registrant’s current report on Form 8-K (000-51595), filed with the SEC on October 30, 2008, and incorporated herein by reference.
(5) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on August 14, 2013, and incorporated herein by reference.
(6) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on August 14, 2013, and incorporated herein by reference.
(7) Filed as an Exhibit to the Registrant's current report on Form 8-K (000-51595), filed with the SEC on February 16, 2016, and incorporated herein by reference.

(8) The certification attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Web.com Group, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

* The XBRL information is being furnished with this Form 10-Q, not filed.

Exhibit 31.1

CERTIFICATION

I, David L. Brown, certify that:

1. I have reviewed this Form 10-Q of Web.com Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

By: /s/ David L. Brown

David L. Brown
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kevin M. Carney, certify that:

1. I have reviewed this Form 10-Q of Web.com Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

By: /s/ Kevin M. Carney

Kevin M. Carney
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), David L. Brown, Chief Executive Officer of Web.com Group, Inc., a Delaware corporation (the "Company") and Kevin M. Carney, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's quarterly report on Form 10-Q for the period ended June 30, 2016 , to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act, and
2. The information contained in the Period Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF , the undersigned has set his hand hereto as of August 8, 2016 .

By:	/s/ David L. Brown	By:	/s/ Kevin M. Carney
	David L. Brown		**Kevin M. Carney**
	Chief Executive Officer and Chairman of the Board		**Chief Financial Officer**
	(Principal Executive Officer)		***(Principal Financial and Accounting Officer)***

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Web.com Group, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.