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# 2Q 2015 Financial Results

July 30, 2015

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# Forward-Looking Statements

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This presentation includes certain "forward-looking statements" including, without limitation, statements regarding the size of the market opportunity for Web.com's products to small businesses, and whether such products can generate improved revenue growth and profitability for Web.com, and statements regarding whether Web.com's products are a unique value proposition, that are subject to risks, uncertainties and other factors that could cause actual results or outcomes to differ materially from those contemplated by the forward-looking statements. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts. These statements are sometimes identified by words such as "believe," "opportunities," or words of similar meaning. As a result of the ultimate outcome of such risks and uncertainties, Web.com's actual results could differ materially from those anticipated in these forward-looking statements. These statements are based on Web.com's current beliefs or expectations, and there are a number of important factors that could cause the actual results or outcomes to differ materially from those indicated by these forward-looking statements, including, without limitation: the risk that Web.com's expectations as to demand for its products may not be accurate, consumers may not perceive the value of Web.com's products to be the same as Web.com does; and other risks that may impact Web.com's business. Other risk factors are set forth under the caption, "Risk Factors," in Web.com's Annual Report on Form 10-K for the year ended December 31, 2014 and Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission, which is available on a website maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). Web.com expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein as a result of new information, future events or otherwise.

## Non-GAAP Measures

Some of the measures in this presentation, including EBITDA, are non-GAAP financial measures within the meaning of the SEC Regulation G. Web.com believes presenting non-GAAP financial measures is useful to investors, because they describe the operating performance of the company, in ways that management views, or uses to assess, the performance of the Company. Company 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 Web.com presents 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 presentation and in Web.com's filings with the Securities and Exchange Commission, which are available at [www.sec.gov](http://www.sec.gov) as well as in this presentation.

# Agenda

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- **Corporate Overview**

- Business Highlights
- Macro Environment
- Quarterly Financial Summary
- Operating Highlights

- **Financial Review**

- 2Q 2015 Financial Performance
- 3Q & Full-Year 2015 Financial Guidance

- **Q&A**



David Brown



Kevin Carney

# 2Q 2015 Business Highlights

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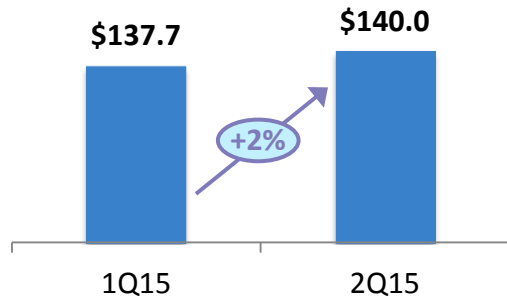
**Repurchased \$14.2 million of stock as part of \$100 million buyback program**

**Operating cash flow grew year-over-year by 22% to \$45.5 million**

**Reduced debt by \$30 million**

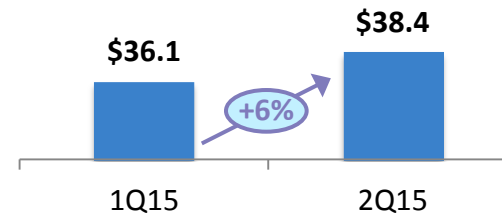
# 2Q 2015 Financial Highlights

## Non-GAAP Revenue (\$mm)



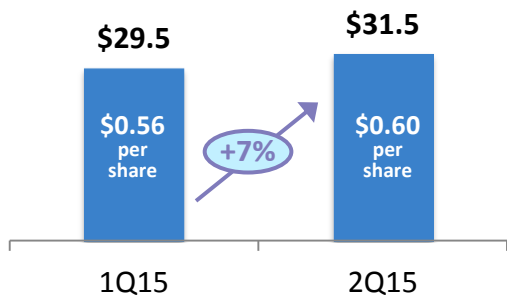
Above revenue guidance range

## Adjusted EBITDA (\$mm)



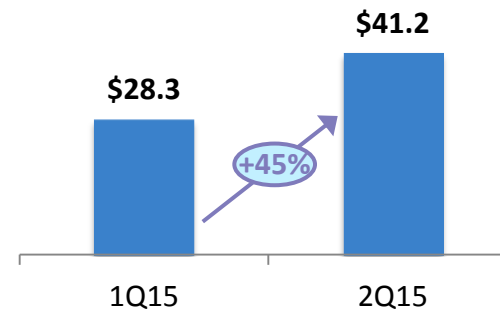
Represents 27% adjusted EBITDA margin

## Non-GAAP Net Income (\$mm)



Above net income and EPS guidance range

## Free Cash Flow (\$mm)



2Q cash flow used for buyback & to repay debt

# 2Q 2015 Operating Highlights

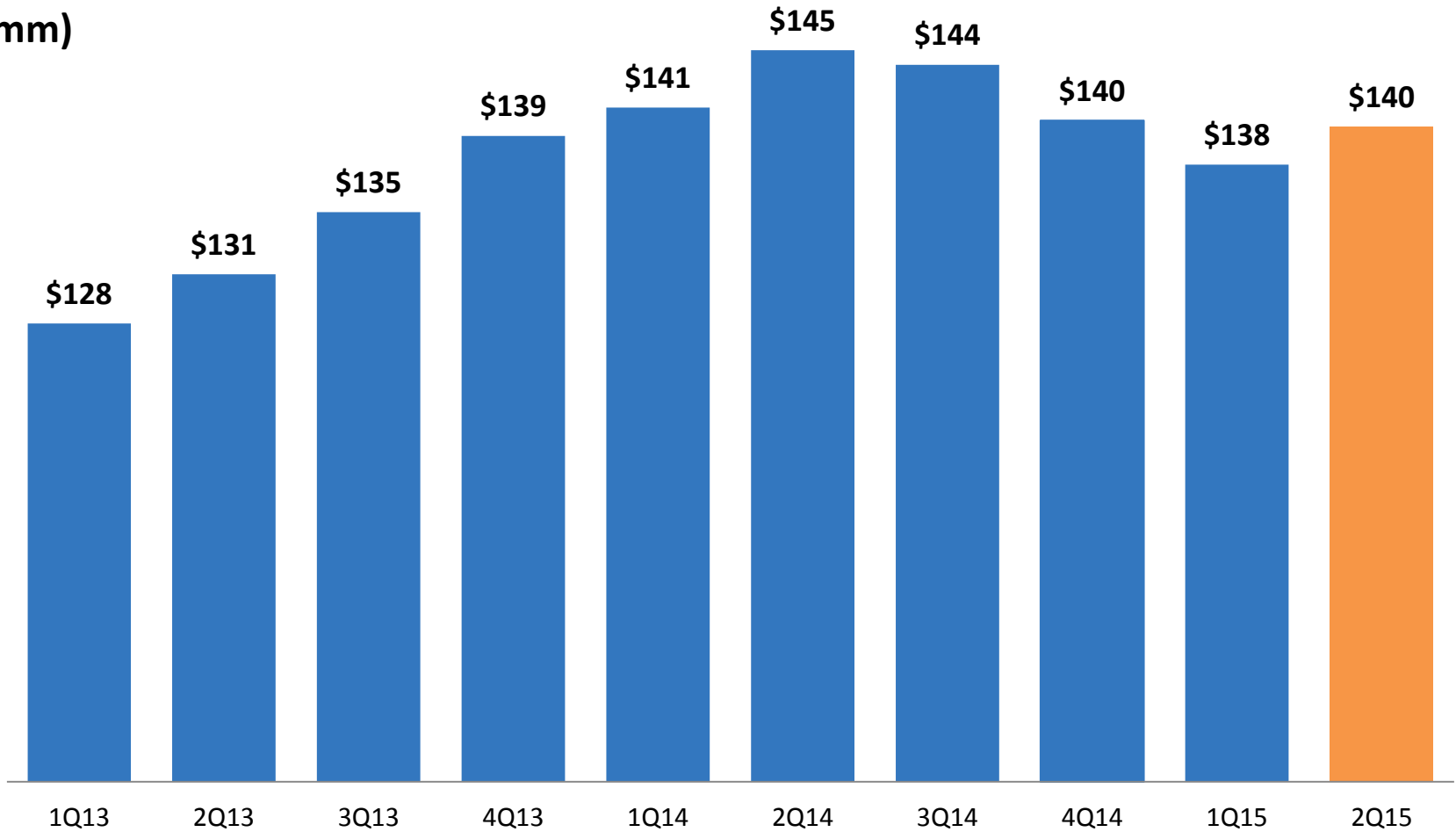
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Note: Customer retention rate is a trailing twelve month retention metric calculated as subscribers at the end of the period divided by the sum of subscribers at the beginning of the period and the new subscribers added during the last twelve months.

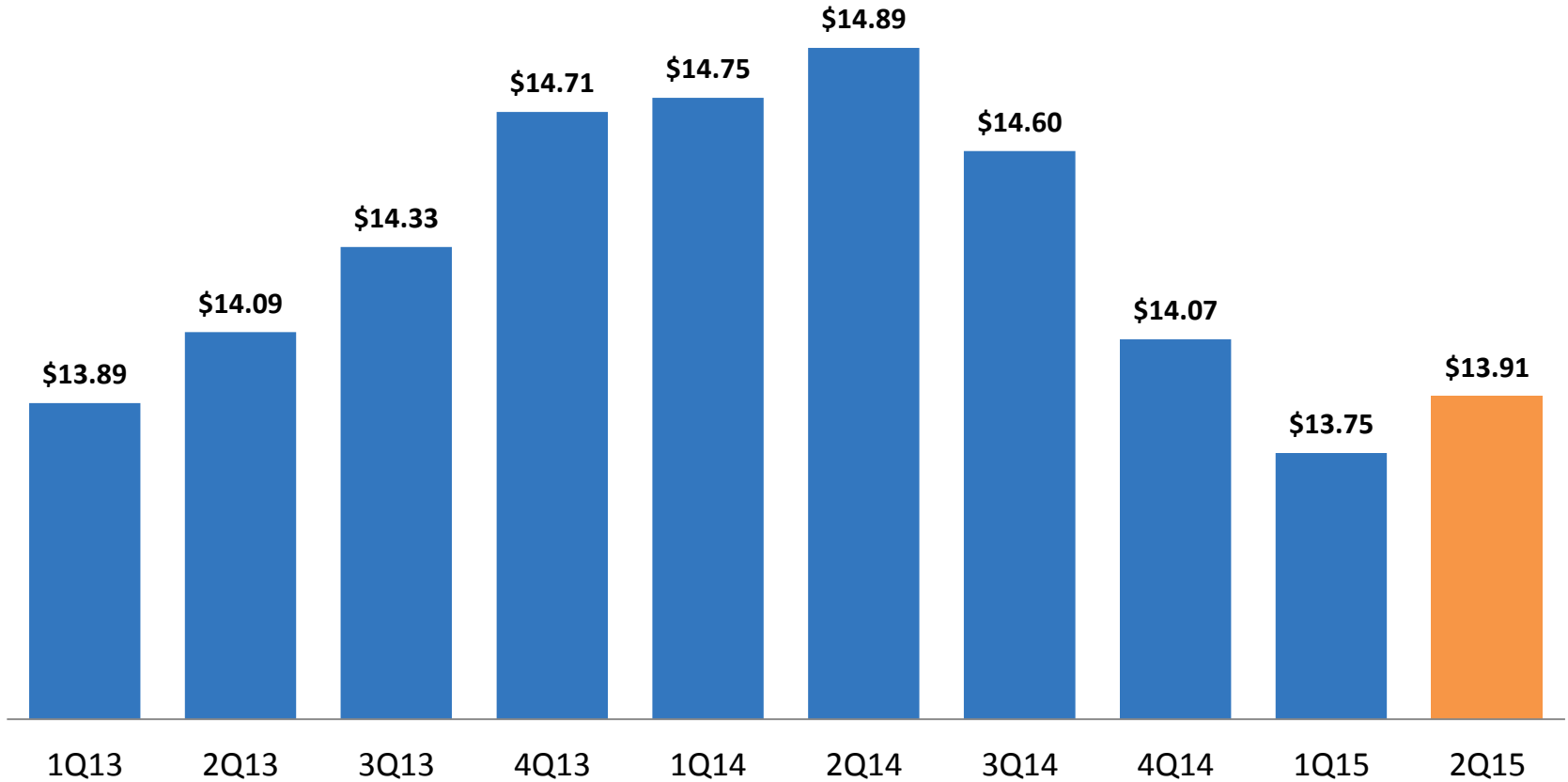
# Non-GAAP Revenue

(\$mm)





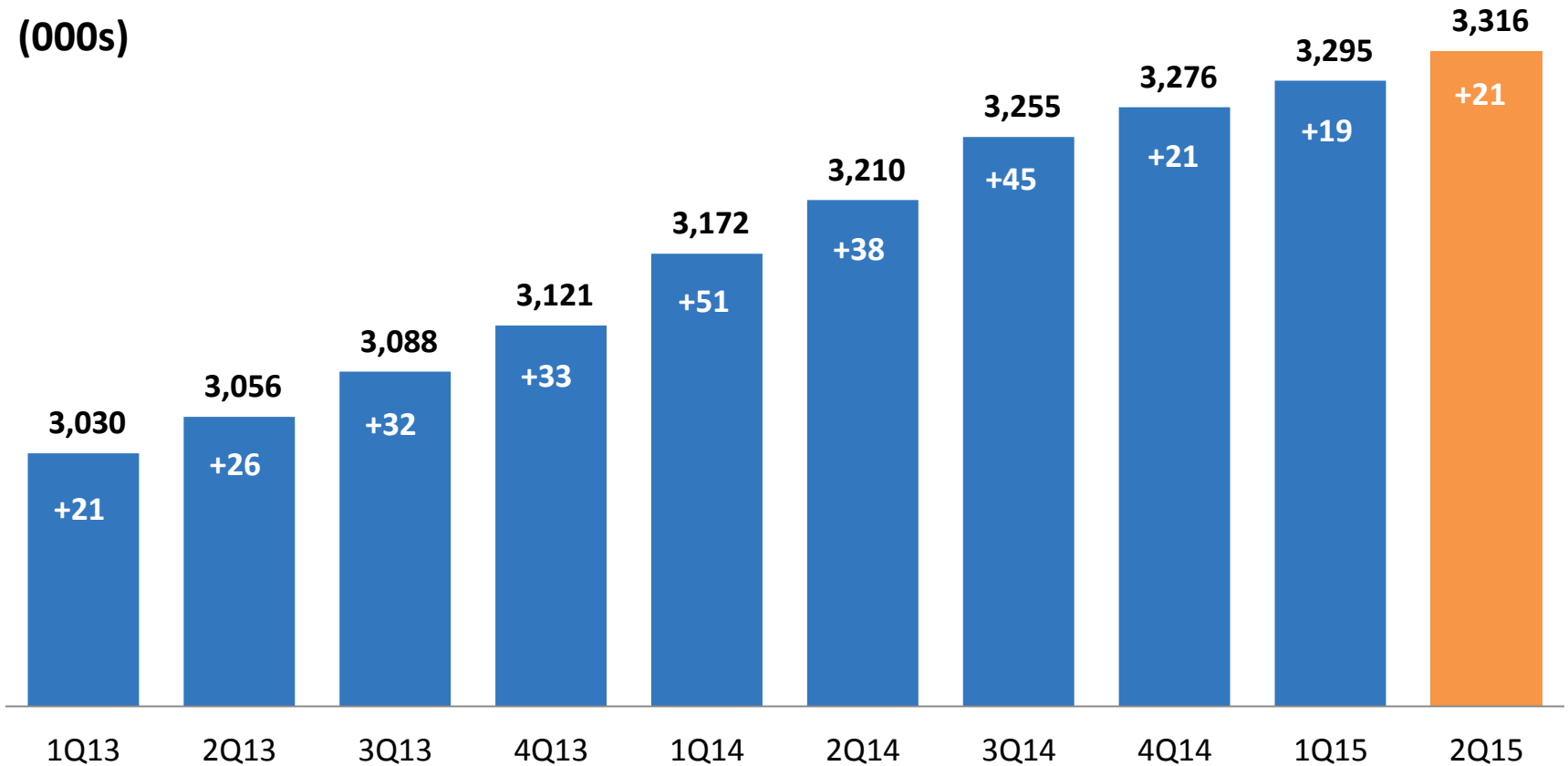
# ARPU



Note: ARPU is calculated as Non-GAAP subscription revenue divided by the average number of subscribers for the period divided into a monthly average.

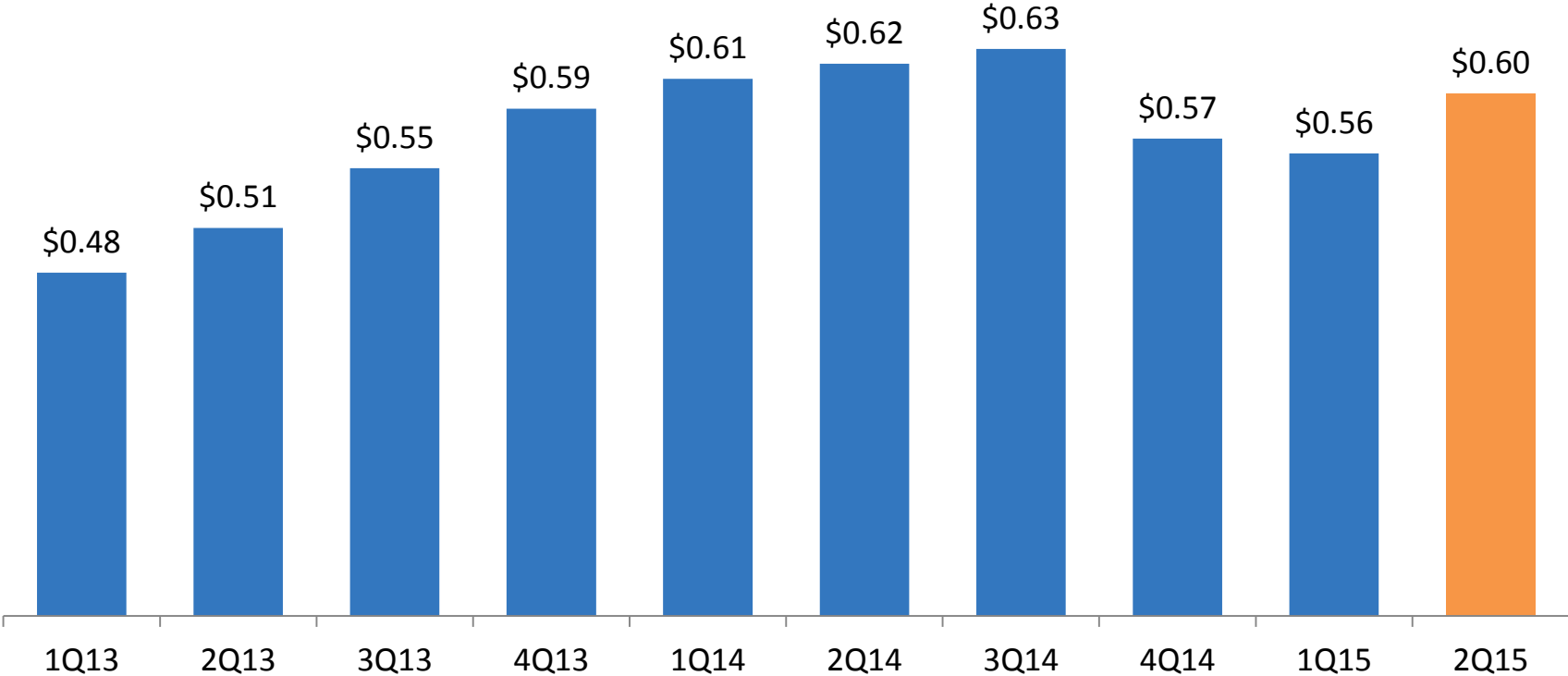
# Net Subscriber Growth

(000s)



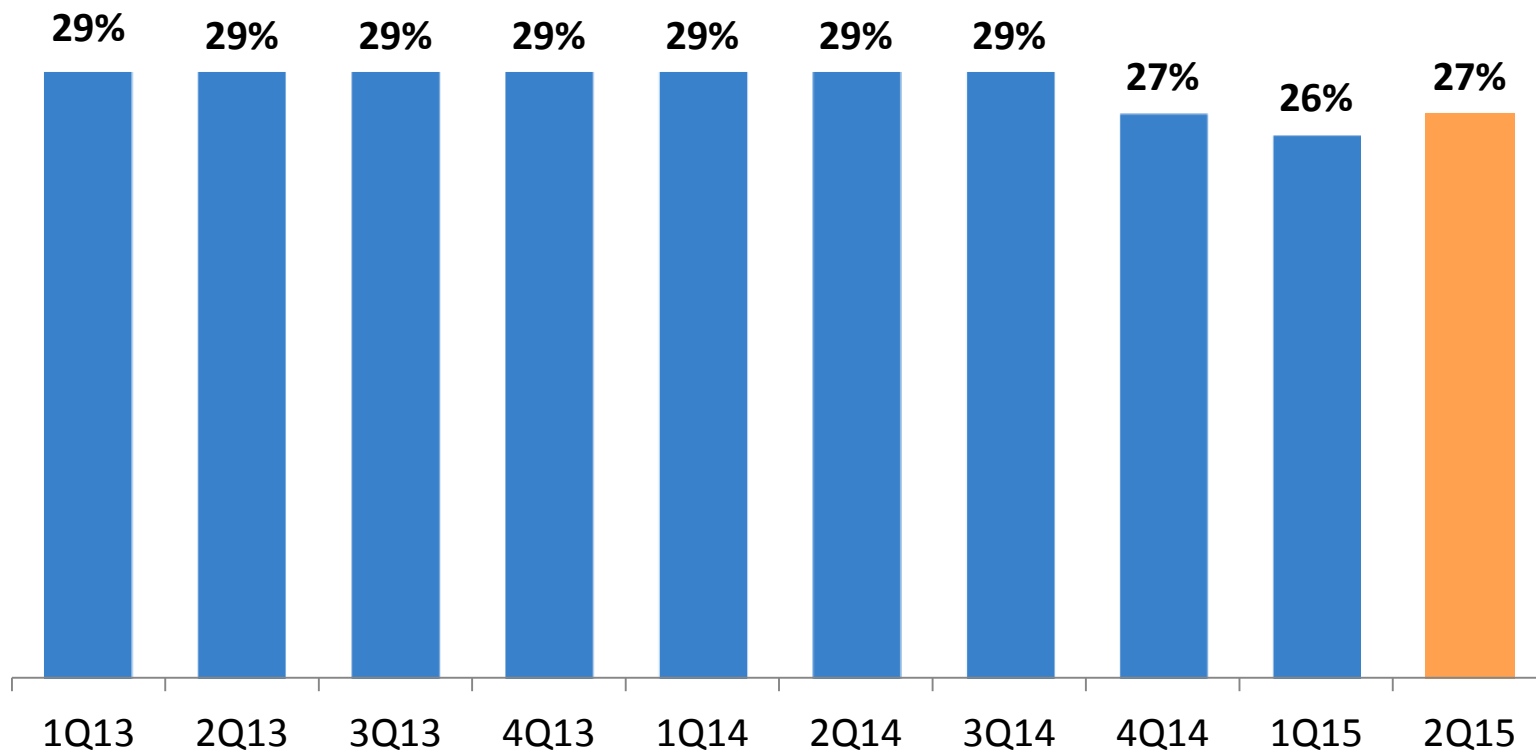
Note: 3Q14 net subscriber adds includes approximately 11,000 customers acquired as part of the Scoot acquisition

# Non-GAAP EPS



# Adjusted EBITDA Margin

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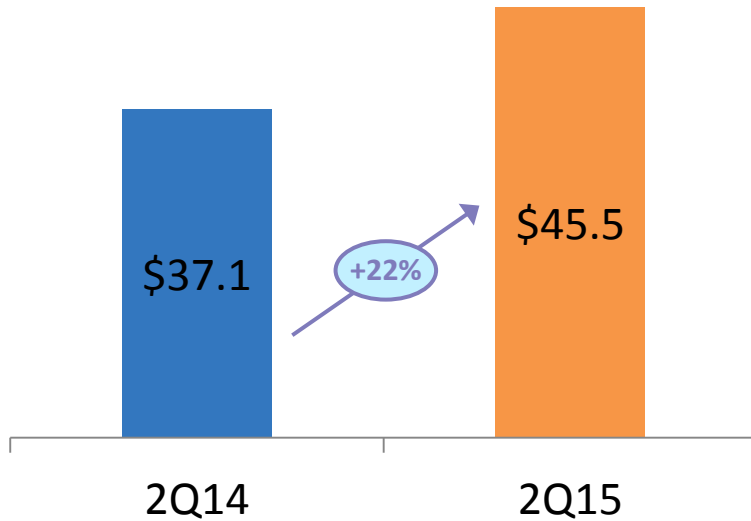
# 2Q 2015 GAAP Results

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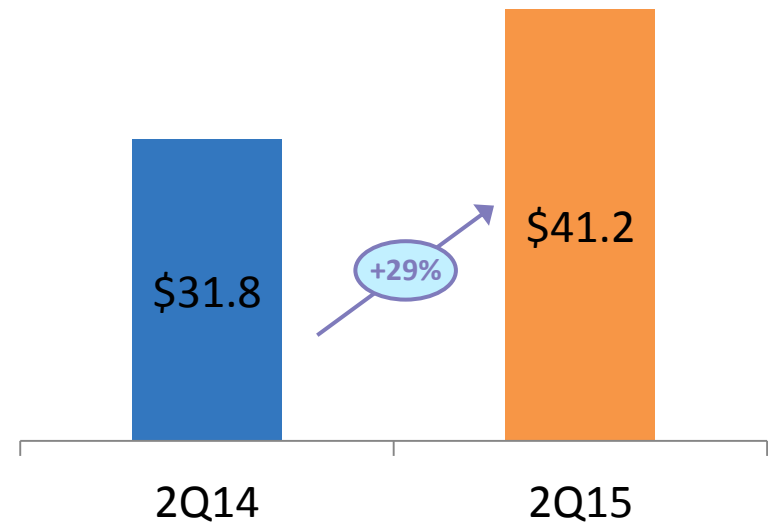
Revenue	\$135.7 mm
Gross Profit	\$88.6 mm
Income from Operations	\$14.9 mm
Net Income	\$4.6 mm
Diluted Net Income Per Share	\$0.09

# Cash Flow Generation

Cash from Operations (\$mm)



Free Cash Flow (\$mm)



# Summary Balance Sheet

(\$mm)

	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15
Cash	\$14.6	\$15.9	\$22.5	\$16.7	\$15.9
Accounts Receivable, net	\$19.6	\$20.6	\$16.9	\$17.2	\$14.3
Deferred Expenses	\$122.6	\$121.2	\$113.7	\$118.0	\$112.7
Debt (current & long-term)					
Term Loan	\$305.8	\$200.0	\$198.7	\$197.5	\$196.2
Revolver	\$9.0	\$109.0	\$94.0	\$77.7	\$49.0
Convertible Debt	\$258.8	\$258.8	\$258.8	\$258.8	\$258.8
Total Debt (Gross)	\$573.6	\$567.8	\$551.5	\$534.0	\$504.0
Less: Debt Discount (OID)	(\$46.4)	(\$47.0)	(\$44.2)	(\$41.5)	(\$38.7)
Total Debt (Net)	\$527.2	\$520.8	\$507.3	\$492.5	\$465.3
Deferred Revenue	\$406.8	\$405.4	\$402.7	\$413.4	\$414.5
Stockholders' Equity	\$180.9	\$189.6	\$174.1	\$164.7	\$163.2



# 2Q 2015 Financial Results

July 30, 2015

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# Appendix

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP revenue to non-GAAP revenue	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
GAAP revenue	\$ 115,546	\$ 120,448	\$ 125,197	\$ 131,125	\$ 133,843	\$ 138,176	\$ 137,407	\$ 134,511	\$ 132,600	\$ 135,719
Fair value adjustment to deferred revenue	12,547	10,942	9,590	8,328	7,391	6,492	6,425	5,855	5,093	4,252
Non-GAAP revenue	<u>\$ 128,093</u>	<u>\$ 131,390</u>	<u>\$ 134,787</u>	<u>\$ 139,453</u>	<u>\$ 141,234</u>	<u>\$ 144,668</u>	<u>\$ 143,832</u>	<u>\$ 140,366</u>	<u>\$ 137,693</u>	<u>\$ 139,971</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP diluted net income (loss) per share to non-GAAP diluted net income per share	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Diluted shares:										
Basic weighted average common shares	48,085	48,670	49,243	49,770	50,334	50,809	51,234	51,295	50,872	50,362
Diluted stock options	2,134	2,539	3,502	3,305	3,546	3,250	2,166	1,623	1,354	1,800
Diluted restricted stock	681	558	810	826	703	507	381	342	266	273
<b>Total diluted weighted average common shares</b>	<b>50,900</b>	<b>51,767</b>	<b>53,555</b>	<b>53,901</b>	<b>54,583</b>	<b>54,566</b>	<b>53,781</b>	<b>53,260</b>	<b>52,492</b>	<b>52,435</b>
Diluted GAAP net income (loss) per share	\$ (0.97)	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ 0.01	\$ (0.02)	\$ (0.07)	\$ (0.17)	\$ 0.04	\$ 0.09
Diluted equity	0.06	0.01	0.01	0.01	-	0.01	0.01	0.01	-	-
Amortization of intangibles	0.33	0.33	0.32	0.30	0.29	0.30	0.31	0.23	0.19	0.19
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-
Asset impairment	-	-	-	-	-	-	-	0.04	-	-
Stock based compensation	0.13	0.08	0.08	0.08	0.08	0.09	0.10	0.09	0.10	0.10
Income tax expense	0.29	0.07	0.02	0.03	0.03	0.07	0.08	0.22	0.07	0.10
Restructuring expense	-	-	-	0.03	-	-	-	-	0.01	-
Corporate development	-	-	-	-	-	-	0.01	-	0.01	-
Amortization of debt discounts and fees	0.01	0.01	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Cash income tax expense	(0.01)	-	-	-	-	-	(0.01)	(0.01)	(0.01)	(0.01)
Fair value adjustment to deferred revenue	0.25	0.21	0.18	0.15	0.14	0.12	0.12	0.11	0.10	0.08
Fair value adjustment to deferred expense	0.01	0.01	0.01	0.01	0.01	-	-	-	-	-
Loss on debt extinguishment	0.38	-	0.02	-	-	-	0.03	-	-	-
Gain on sale of equity method investment	-	(0.01)	-	-	-	-	-	-	-	-
<b>Diluted Non-GAAP net income per share</b>	<b>\$ 0.48</b>	<b>\$ 0.51</b>	<b>\$ 0.55</b>	<b>\$ 0.59</b>	<b>\$ 0.61</b>	<b>\$ 0.62</b>	<b>\$ 0.63</b>	<b>\$ 0.57</b>	<b>\$ 0.56</b>	<b>\$ 0.60</b>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP operating income to adjusted EBITDA										
	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
GAAP operating income	\$ (2,490)	\$ 1,913	\$ 4,457	\$ 6,363	\$ 9,545	\$ 10,352	\$ 9,261	\$ 8,506	\$ 11,149	\$ 14,935
Depreciation and amortization	20,040	20,301	20,339	19,165	19,239	19,793	20,349	15,398	13,744	13,849
Loss on sale of assets	(6)	87	55	—	—	—	—	—	—	—
Asset impairment	—	—	—	—	—	—	—	2,040	—	—
Stock based compensation	6,365	3,906	4,055	4,177	4,504	4,939	5,085	5,040	5,047	5,137
Restructuring expense	—	(32)	—	1,689	—	—	—	166	313	22
Corporate development	—	—	—	—	40	—	459	—	597	—
Fair value adjustment to deferred revenue	12,547	10,942	9,590	8,328	7,391	6,492	6,425	5,855	5,093	4,252
Fair value adjustment to deferred expense	454	408	367	333	301	269	242	215	191	167
Adjusted EBITDA	<u>\$ 36,910</u>	<u>\$ 37,525</u>	<u>\$ 38,863</u>	<u>\$ 40,055</u>	<u>\$ 41,020</u>	<u>\$ 41,845</u>	<u>\$ 41,821</u>	<u>\$ 37,220</u>	<u>\$ 36,134</u>	<u>\$ 38,362</u>

## Reconciliation of GAAP operating margin to adjusted EBITDA margin

GAAP operating margin	(2)%	2 %	4 %	5 %	7 %	7 %	7 %	6 %	8 %	11 %
Depreciation and amortization	16 %	16 %	14 %	14 %	13 %	14 %	14 %	12 %	10 %	9 %
Loss on sale of assets	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Asset impairment	—%	—%	—%	—%	—%	—%	—%	1 %	—%	—%
Stock based compensation	5 %	3 %	3 %	3 %	3 %	3 %	4 %	4 %	4 %	4 %
Restructuring expense	—%	—%	—%	1 %	—%	—%	—%	—%	—%	—%
Corporate development	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Fair value adjustment to deferred revenue	10 %	8 %	8 %	6 %	6 %	5 %	4 %	4 %	4 %	3 %
Fair value adjustment to deferred expense	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Adjusted EBITDA margin	<u>29 %</u>	<u>29 %</u>	<u>29 %</u>	<u>29 %</u>	<u>29 %</u>	<u>29 %</u>	<u>29 %</u>	<u>27 %</u>	<u>26 %</u>	<u>27 %</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP gross profit to non-GAAP gross profit	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
Gross Profit	\$ 88,617	\$ 89,577	\$ 83,898	\$ 87,257
Fair value adjustment to deferred revenue	4,252	6,492	5,093	7,391
Fair value adjustment to deferred expense	167	269	191	301
Stock based compensation	512	535	509	488
Non-GAAP gross profit	<u>\$ 93,548</u>	<u>\$ 96,873</u>	<u>\$ 89,691</u>	<u>\$ 95,437</u>
Non-GAAP gross margin	67 %	67 %	65 %	68 %

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP operating income to non-GAAP operating income	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
GAAP operating income	\$ 14,935	\$ 10,352	\$ 11,149	\$ 9,545
Amortization of intangibles	9,822	16,320	9,816	16,184
Stock based compensation	5,137	4,939	5,047	4,504
Restructuring expense	22	—	313	—
Corporate development	—	—	597	40
Fair value adjustment to deferred revenue	4,252	6,492	5,093	7,391
Fair value adjustment to deferred expense	167	269	191	301
Non-GAAP operating income	<u>\$ 34,335</u>	<u>\$ 38,372</u>	<u>\$ 32,206</u>	<u>\$ 37,965</u>
<b>Reconciliation of GAAP operating margin to non-GAAP operating margin</b>				
GAAP operating margin	11 %	7 %	8 %	7 %
Amortization of intangibles	7 %	12 %	7 %	11 %
Stock based compensation	4 %	3 %	4 %	3 %
Restructuring expense	—%	—%	—%	—%
Corporate development	—%	—%	—%	—%
Fair value adjustment to deferred revenue	3 %	5 %	4 %	6 %
Fair value adjustment to deferred expense	—%	—%	—%	—%
Non-GAAP operating margin	<u>25 %</u>	<u>27 %</u>	<u>23 %</u>	<u>27 %</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP net income (loss) to non-GAAP net income	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
GAAP net income (loss)	\$ 4,550	\$ (794)	\$ 2,339	\$ 490
Amortization of intangibles	9,822	16,320	9,816	16,184
Stock based compensation	5,137	4,939	5,047	4,504
Income tax expense	5,203	3,847	3,561	1,563
Restructuring expense	22	—	313	—
Corporate development	—	—	597	40
Amortization of debt discounts and fees	2,822	2,790	2,798	2,718
Cash income tax expense	(520)	(267)	(267)	(132)
Fair value adjustment to deferred revenue	4,252	6,492	5,093	7,391
Fair value adjustment to deferred expense	167	269	191	301
Non-GAAP net income	<u>\$ 31,455</u>	<u>\$ 33,596</u>	<u>\$ 29,488</u>	<u>\$ 33,059</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of net cash provided by operating activities to free cash flow	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
Net cash provided by operating activities	\$ 45,488	\$ 37,142	\$ 31,923	\$ 18,606
Capital expenditures	(4,307)	(5,306)	(3,604)	(2,921)
Free cash flow	<u>\$ 41,181</u>	<u>\$ 31,836</u>	<u>\$ 28,319</u>	<u>\$ 15,685</u>

Revenue	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
Subscription	\$ 133,685	\$ 136,044	\$ 130,461	\$ 131,784
Professional services and other	2,034	2,132	2,139	2,059
Total	<u>\$ 135,719</u>	<u>\$ 138,176</u>	<u>\$ 132,600</u>	<u>\$ 133,843</u>

Stock based compensation	Three months ended June 30,		Three months ended March 31,	
	2015	2014	2015	2014
Cost of revenue	\$ 512	\$ 535	\$ 509	\$ 488
Sales and marketing	1,214	1,254	1,235	1,148
Technology and development	747	807	763	737
General and administrative	2,664	2,343	2,540	2,131
Total	<u>\$ 5,137</u>	<u>\$ 4,939</u>	<u>\$ 5,047</u>	<u>\$ 4,504</u>