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# 1Q 2014 Financial Results

May 1, 2014

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# Forward-Looking Statements

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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, excluding some recurring charges that are included in the most directly comparable measures calculated and presented in accordance with GAAP. 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 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**

- 1Q 2014 Financial Performance
- 2Q & Full-Year 2014 Financial Guidance

- **Q&A**



**David Brown**



**Kevin Carney**

# 1Q 2014 Business Highlights

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**Achieved double digit revenue growth of 10%**

**Reported strong subscriber growth with net additions of 50,600**

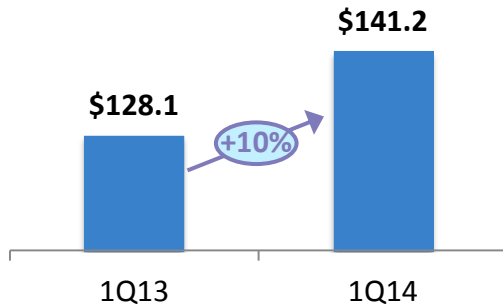
**Expanded ARPU and maintained best-in-class retention rate**

**Exceeded net income and EPS guidance**

**Continued debt reduction**

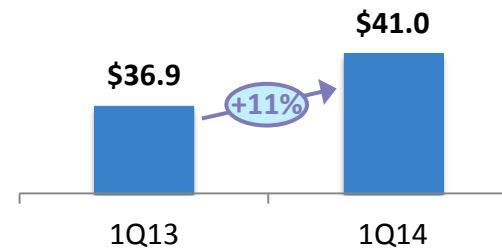
# 1Q 2014 Financial Highlights

## Non-GAAP Revenue (\$mm)



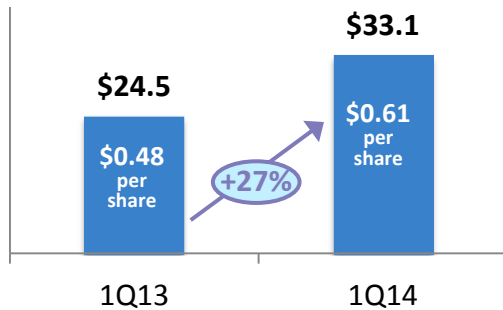
Achieved double digit revenue target

## Adjusted EBITDA (\$mm)



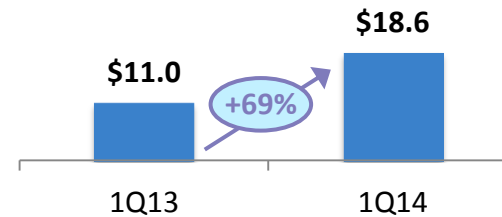
Maintained 29% adjusted EBITDA margin

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



Exceeded guidance of \$31.5–\$32.5 mm or \$0.58–\$0.60 per share

## Cash from Operations (\$mm)



1Q cash flow in line with seasonal impact

Note: Excluding a \$7.2 million one-time prepayment penalty for debt refinancing, 1Q13 cash from operations was \$18.2 million.

# 1Q 2014 Operating Highlights

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# Opportunistic Enhancement in Domain Industry

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- Industry leader in the domain resale marketplace
- Key relationships with most large, global registrars
- Additional domain services for Web.com customers
- Strong team with experience in domain lifecycle management and auction space
- Patented technology platform enabling profit enhancement
- Attractive financial terms



# New Top Level Domain Expansion

GET THE DOMAIN YOU ALWAYS WANTED!

Register Now .GURU .TIPS .CLUB .EXPERT & HUNDREDS MORE!

BEST PRICE GUARANTEE

Enter domain name .expert Search

Interested in pre-registering a large number of domains? [Try our bulk tool.](#)

Want to explore all the options?  
Use the filters below to find the domain that's right for you.

**MOST POPULAR**

Show Only Most Popular (8)

**FILTER OPTIONS**

Pre-Registration (53)  
 Now Available (63)  
 Coming Soon (473)

**CATEGORY FILTERS**

[Select all](#)  
[Clear all filters](#)

Business (54)  
 Culture & Lifestyle (36)

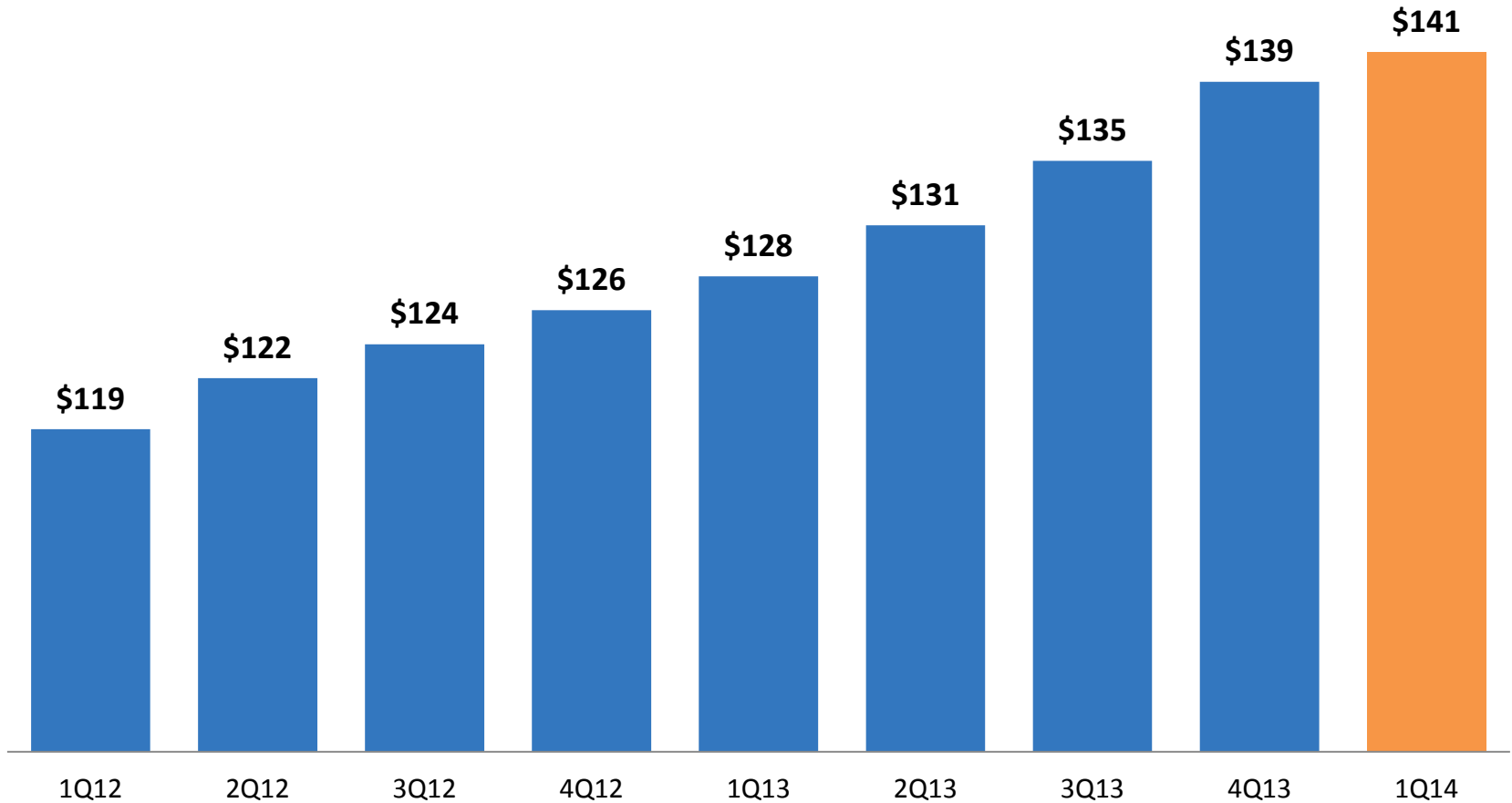
Extension	Status	
.ACADEMY	Now Available	Select
.ACTOR	Pre-Registration Closes 8/06/14	Select
.AGENCY	Pre-Registration Closes 4/30/14	Select
.BARGAINS	Pre-Registration Closes 4/30/14	Select
.BID	Pre-Registration Closes 6/09/14	Select
.BIKE	Now Available	Select
.BOUTIQUE	Pre-Registration Closes 4/30/14	Select
.BUILD	Pre-Registration Closes 4/28/14	Select

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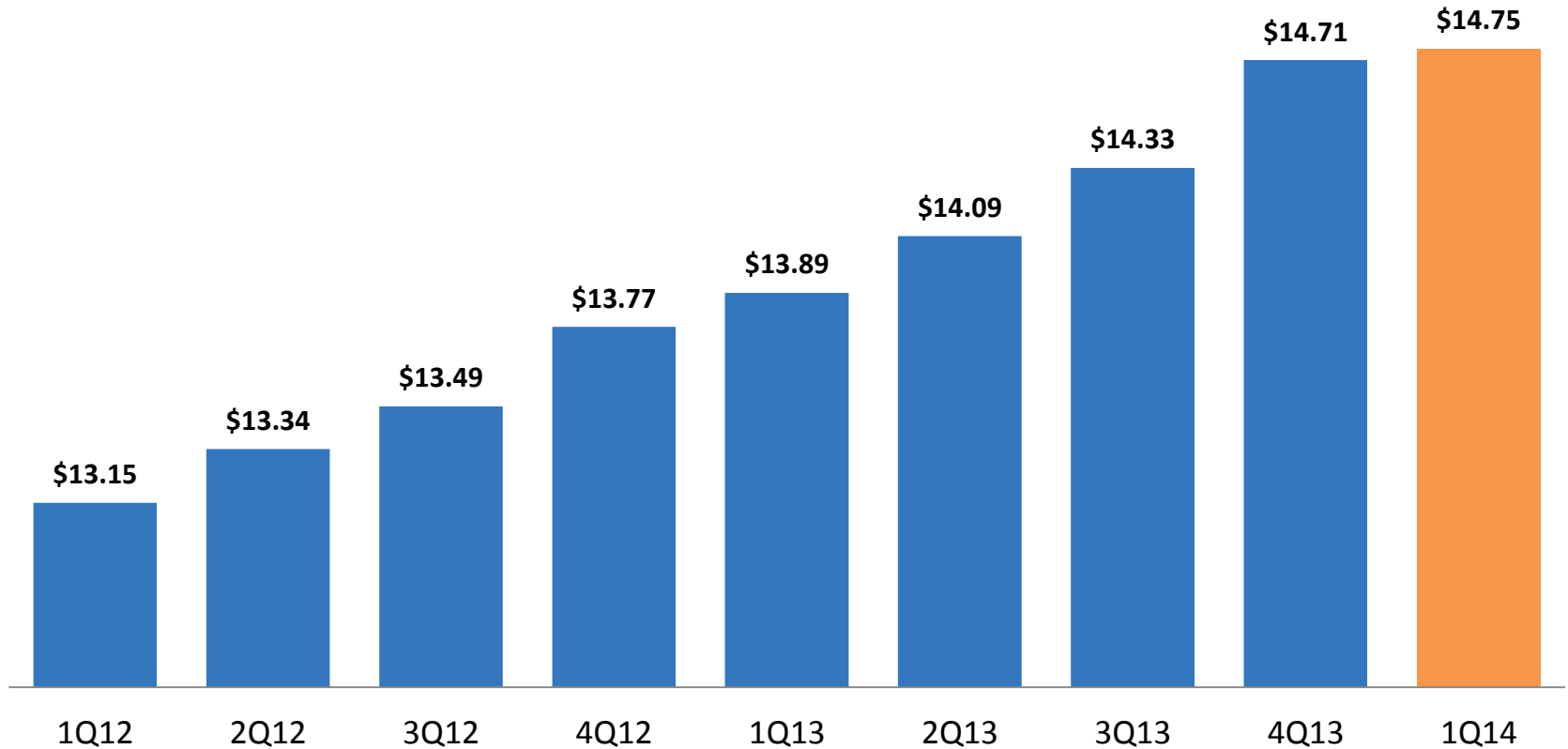
- Launched >120 new TLDs YTD across our domain sites
- Target ending year at ~375 new TLDs
- Top 5 best-selling names .Guru, .Expert, .Company, .Tips, .Email
- Ramping marketing programs as number of names increases

# Non-GAAP Revenue Growth

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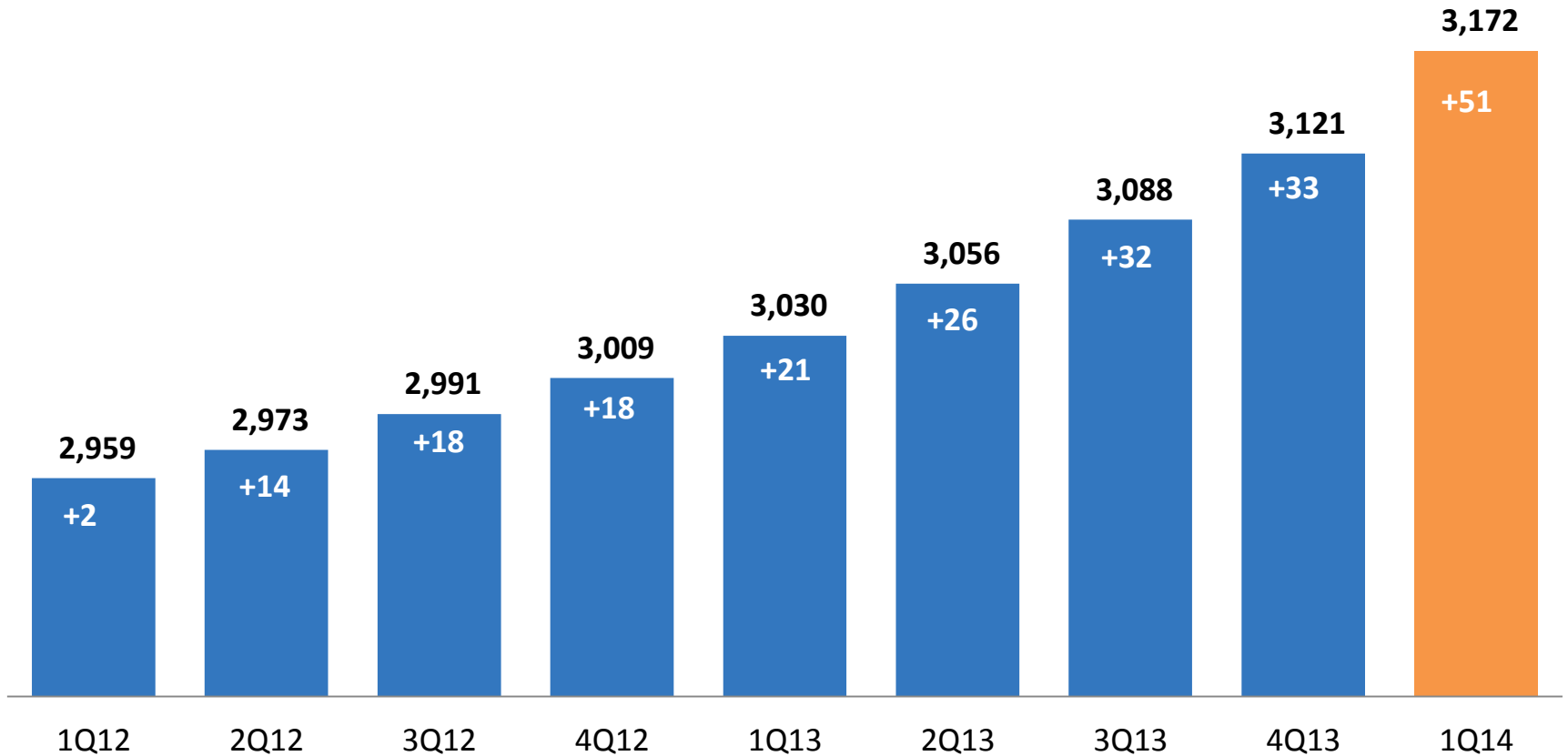


# ARPU Growth



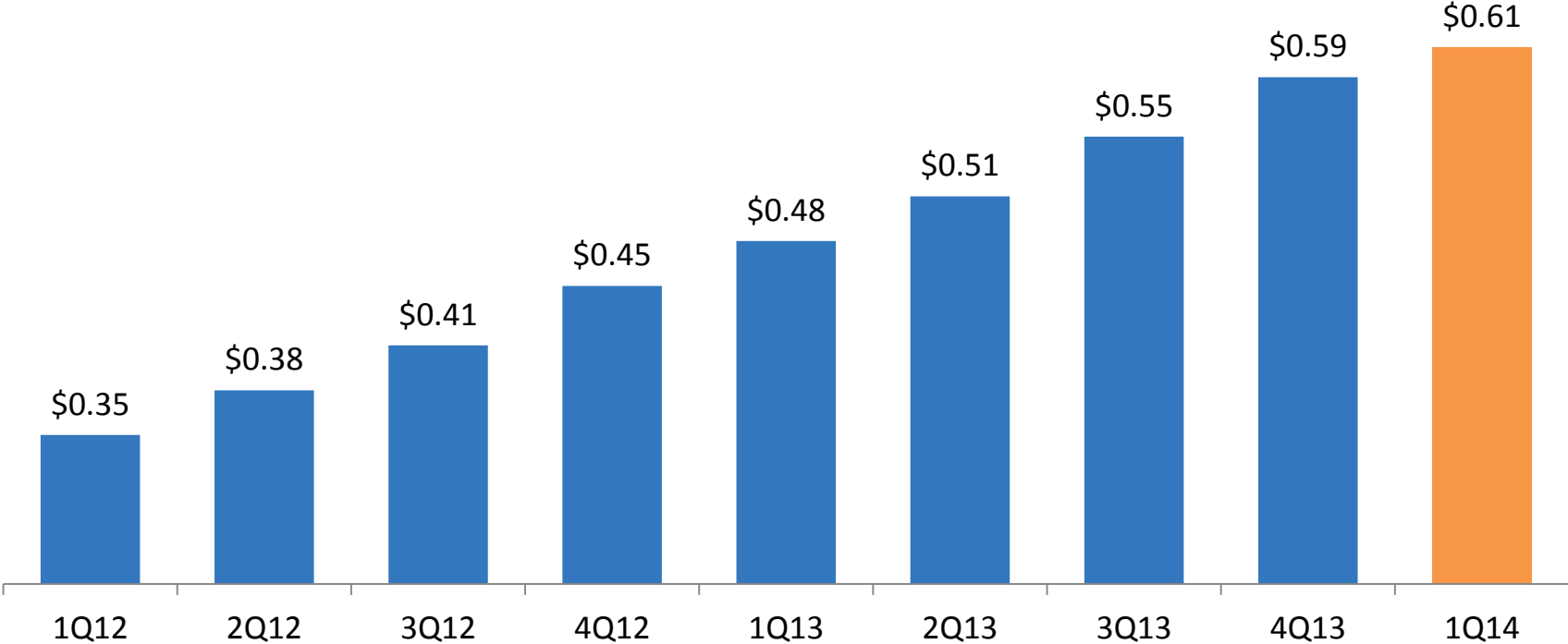
Note: ARPU is calculated as Non-GAAP subscription revenue divided by the average number of subscribers for the period divided into a monthly average.

# Net Subscriber Growth

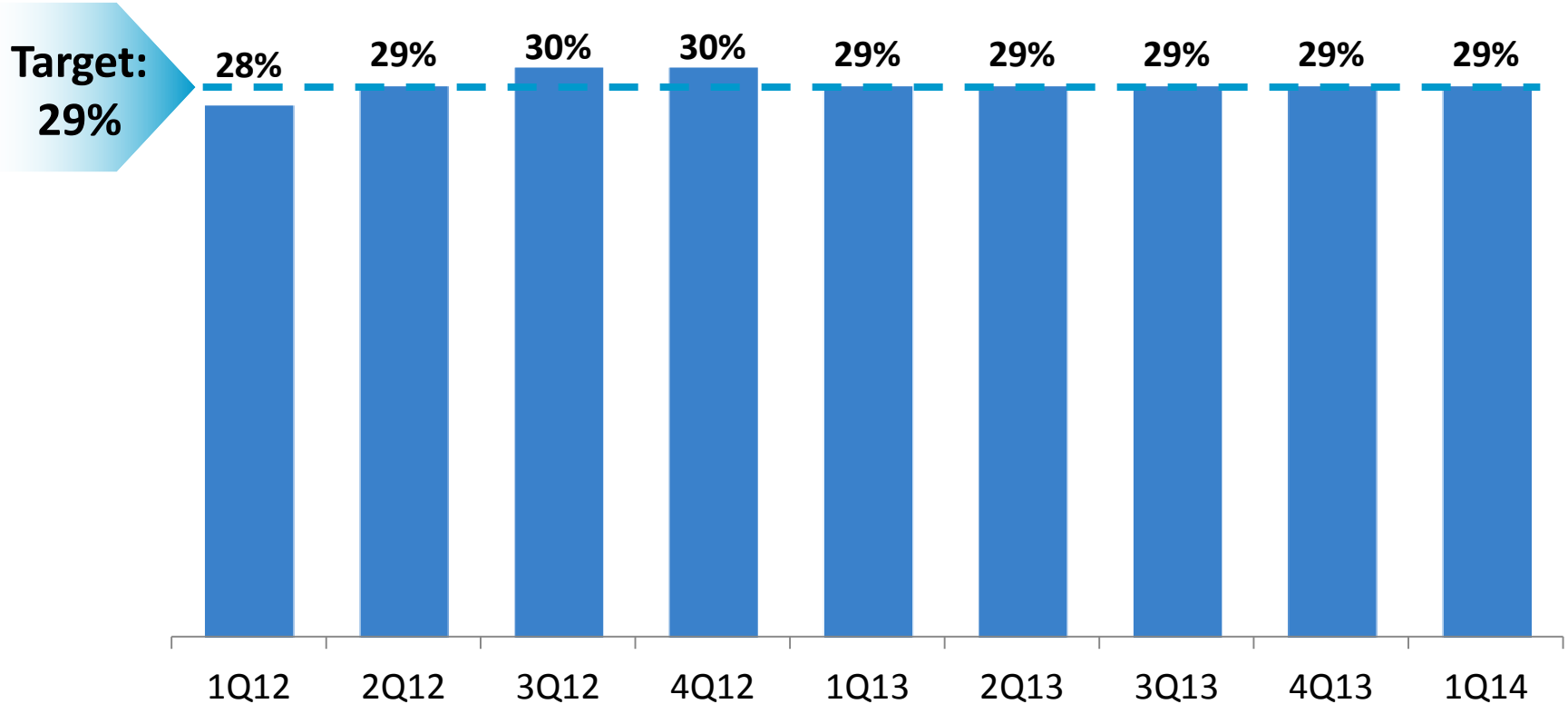


# Non-GAAP EPS

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# Adjusted EBITDA Margin



# 1Q 2014 GAAP Results

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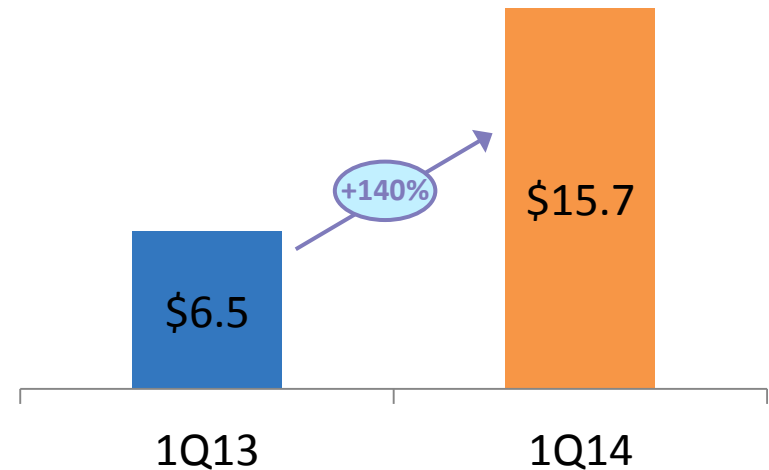
(in millions, except per share)	Three Months ended March 31, 2014
Revenue	\$133.8
Income from Operations	\$9.5
Net Income	\$0.5
Diluted Net Income Per Share	\$0.01

# Cash Flow Generation

Cash from Operations (\$mm)



Free Cash Flow (\$mm)



Note: Excluding a \$7.2 million one-time prepayment penalty for debt refinancing, 1Q13 cash from operations was \$18.2 million and free cash flow was \$13.7 million.



# Summary Balance Sheet

(\$mm)

	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14
Cash	\$13.6	\$16.8	\$10.4	\$13.8	\$15.2
Accounts Receivable, net	\$16.8	\$18.2	\$18.4	\$17.1	\$20.6
Deferred Expenses	\$121.9	\$120.6	\$120.6	\$119.3	\$120.3
Debt (current & long-term)					
1 <sup>st</sup> Lien	\$654.4	\$626.9	\$388.9	\$355.9	\$340.8
Revolver	\$47.0	\$43.0	–	–	\$9.0
Convertible Debt	–	–	\$258.8	\$258.8	\$258.8
Total Debt (Gross)	\$701.4	\$669.9	\$647.6	\$614.6	\$608.6
Less: Debt Discount (OID)	(\$1.6)	(\$1.5)	(\$54.0)	(\$51.5)	(\$49.0)
Total Debt (Net)	\$699.7	\$668.3	\$593.6	\$563.1	\$559.6
Deferred Revenue	\$384.8	\$390.3	\$393.9	\$395.4	\$407.7
Stockholders' Equity	\$116.9	\$115.8	\$165.4	\$170.0	\$174.2

# Financial Summary



- Target low-teens revenue growth during mass adoption
- Maintain EBITDA margins while accelerating topline growth
- Target mid-teens to 20% earnings growth
- Deploy free cash flow to de-lever



# 1Q 2014 Financial Results

May 1, 2014

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# Appendix

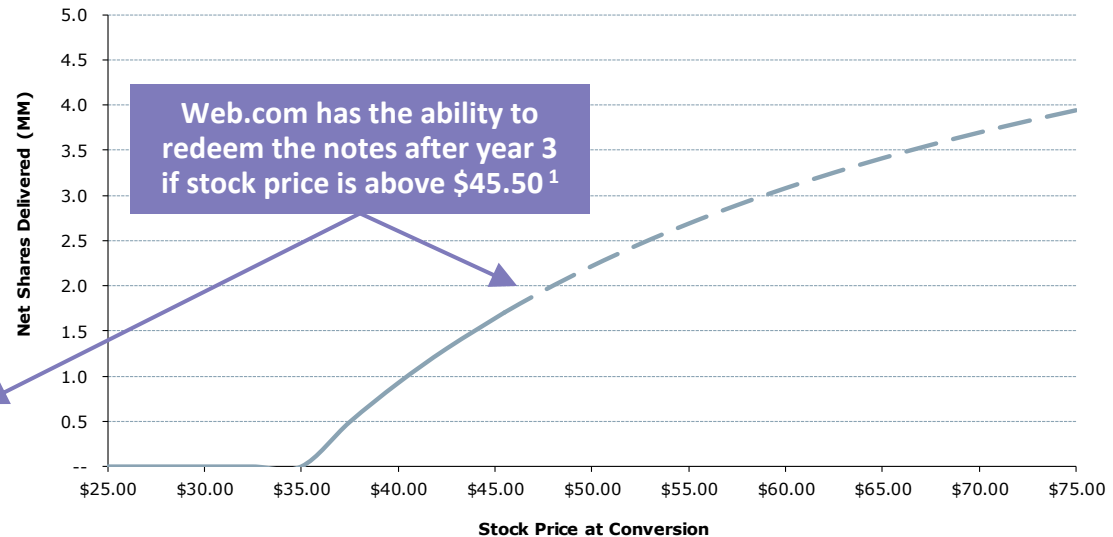
# Convertible Debt Net Share Settlement Information

## Sample Net Share Settlement Calculation

1.00% Senior Convertible Notes due 2018	
Notes Issued	258,750
Par Amount per Note	\$1,000
Stock Price at Issue	\$28.16
Conversion Rate per Note	28.5714
Conversion Price	\$35.00
Optional Redemption Threshold (%)	130.0%
Optional Redeption Threshold (\$)	\$45.50
Total Underlying Shares	7,392,850

Net Share Settlement (Assuming Par Settled in Cash)	
Stock at Conversion	Net Shares (MM)
\$25.00	--
\$27.50	--
\$30.00	--
\$32.50	--
\$35.00	--
\$37.50	0.49
\$40.00	0.92
\$42.50	1.30
\$45.50	1.71
\$47.50	1.95
\$50.00	2.22
\$52.50	2.46
\$55.00	2.69
\$57.50	2.89
\$60.00	3.08
\$62.50	3.25
\$65.00	3.41
\$67.50	3.56
\$70.00	3.70
\$72.50	3.82
\$75.00	3.94

- \$45.50 stock price at conversion (not in connection with an optional redemption)
- Conversion value = (28.5714 conversion rate) x (\$45.50 stock price) x (258,750 notes issued) = \$336.4 mm
- Conversion value in excess of par = \$336.4 mm - \$258.8 mm par amount = \$77.6 mm
- Shares delivered = \$77.6 mm / \$45.50 = 1.71 mm shares



<sup>1</sup> Must be above optional redemption threshold for 20 of 30 trading days in order for the Company to have the ability to redeem the security. Holders receive additional shares pursuant to make-whole table in convertible indenture for conversions upon a notice of redemption. Calculations do not include any such additional shares.

# Reconciliation of GAAP to Non-GAAP Results

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

Reconciliation of GAAP revenue to non-GAAP revenue	Three months ended March 31,	
	2014	2013
<b>GAAP revenue</b>	\$ 133,843	\$ 115,546
<b>Fair value adjustment to deferred revenue</b>	7,391	12,547
<b>Non-GAAP revenue</b>	\$ 141,234	\$ 128,093

Reconciliation of GAAP gross profit to non-GAAP gross profit	Three months ended March 31,	
	2014	2014
<b>Gross profit</b>	\$ 87,257	\$ 72,906
<b>Fair value adjustment to deferred revenue</b>	7,391	12,547
<b>Fair value adjustment to deferred expense</b>	301	454
<b>Stock based compensation</b>	488	528
<b>Non-GAAP gross profit</b>	\$ 95,437	\$ 86,435

# Reconciliation of GAAP to Non-GAAP Results

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

Reconciliation of GAAP operating income (loss) to non-GAAP operating income		Three months ended March 31,	
	2014	2013	
<b>GAAP operating income (loss)</b>	\$ 9,545	\$ (2,490)	
<b>Amortization of intangibles</b>	16,184	17,286	
<b>Loss on sale of assets</b>	—	(6)	
<b>Stock based compensation</b>	4,504	6,365	
<b>Corporate development</b>	40	—	
<b>Fair value adjustment to deferred revenue</b>	7,391	12,547	
<b>Fair value adjustment to deferred expense</b>	301	454	
<b>Non-GAAP operating income</b>	\$ 37,965	\$ 34,156	
<b>Reconciliation of GAAP operating margin to non-GAAP operating margin</b>			
<b>GAAP operating margin</b>	7 %	(2) %	
<b>Amortization of intangibles</b>	11	13	
<b>Loss on sale of assets</b>	—	—	
<b>Stock based compensation</b>	3	5	
<b>Corporate development</b>	—	—	
<b>Fair value adjustment to deferred revenue</b>	6	10	
<b>Fair value adjustment to deferred expense</b>	—	1	
<b>Non-GAAP operating margin</b>	27 %	27 %	

# 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 March 31,	
	2014	2013
GAAP net income (loss)	\$ 490	\$ (46,503)
Amortization of intangibles	16,184	17,286
Loss on sale of assets	—	(6)
Stock based compensation	4,504	6,365
Income tax expense	1,563	14,536
Corporate development	40	—
Amortization of debt discounts and fees	2,718	583
Cash income tax expense	(132)	(286)
Fair value adjustment to deferred revenue	7,391	12,547
Fair value adjustment to deferred expense	301	454
Loss on debt extinguishment	—	19,526
Non-GAAP net income	\$ 33,059	\$ 24,502



# 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	Three months ended March 31,	
	2014	2013
<b>Diluted shares:</b>		
Basic weighted average common shares	50,334	48,085
Diluted stock options	3,546	2,134
Diluted restricted stock	703	681
<b>Total diluted weighted average common shares</b>	<b>54,583</b>	<b>50,900</b>
<b>Diluted GAAP net income (loss) per share</b>	<b>\$ 0.01</b>	<b>\$ (0.97)</b>
Diluted equity	—	0.06
Amortization of intangibles	0.29	0.33
Loss on sale of assets	—	—
Stock based compensation	0.08	0.13
Income tax expense	0.03	0.29
Corporate development	—	—
Amortization of debt discounts and fees	0.05	0.01
Cash income tax expense	—	(0.01)
Fair value adjustment to deferred revenue	0.14	0.25
Fair value adjustment to deferred expense	0.01	0.01
Loss on debt extinguishment	—	0.38
<b>Diluted Non-GAAP net income per share</b>	<b>\$ 0.61</b>	<b>\$ 0.48</b>

# Reconciliation of GAAP to Non-GAAP Results

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

Reconciliation of GAAP operating income (loss) to adjusted EBITDA	Three months ended March 31,	
	2014	2013
<b>GAAP operating income (loss)</b>	\$ 9,545	\$ (2,490)
<b>Depreciation and amortization</b>	19,239	20,040
<b>Loss on sale of assets</b>	—	(6)
<b>Stock based compensation</b>	4,504	6,365
<b>Corporate development</b>	40	—
<b>Fair value adjustment to deferred revenue</b>	7,391	12,547
<b>Fair value adjustment to deferred expense</b>	301	454
<b>Adjusted EBITDA</b>	\$ 41,020	\$ 36,910
<b>Reconciliation of GAAP operating margin to adjusted EBITDA margin</b>		
<b>GAAP operating margin</b>	7 %	(2) %
<b>Depreciation and amortization</b>	13	16
<b>Loss on sale of assets</b>	—	—
<b>Stock based compensation</b>	3	5
<b>Corporate development</b>	—	—
<b>Fair value adjustment to deferred revenue</b>	6	10
<b>Fair value adjustment to deferred expense</b>	—	—
<b>Adjusted EBITDA margin</b>	29 %	29 %

# Reconciliation of GAAP to Non-GAAP Results

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

Reconciliation of Operating Cash Flow to Free Cash Flow	Three months ended March 31,	
	2014	2013
Operating cash flow	\$ 18,606	\$ 11,033
Less: Capital expenditures	(2,921)	(4,496)
Free cash flow	\$ 15,685	\$ 6,537

	Three months ended March 31,	
	2014	2013
<b>Revenue</b>		
Subscription	\$ 131,784	\$ 113,280
Professional services and other	2,059	2,266
<b>Total</b>	<b>\$ 133,843</b>	<b>\$ 115,546</b>
<b>Stock based compensation</b>		
Cost of revenue	\$ 488	\$ 528
Sales and marketing	1,148	1,498
Research and development	737	833
General and administrative	2,131	3,506
<b>Total</b>	<b>\$ 4,504</b>	<b>\$ 6,365</b>