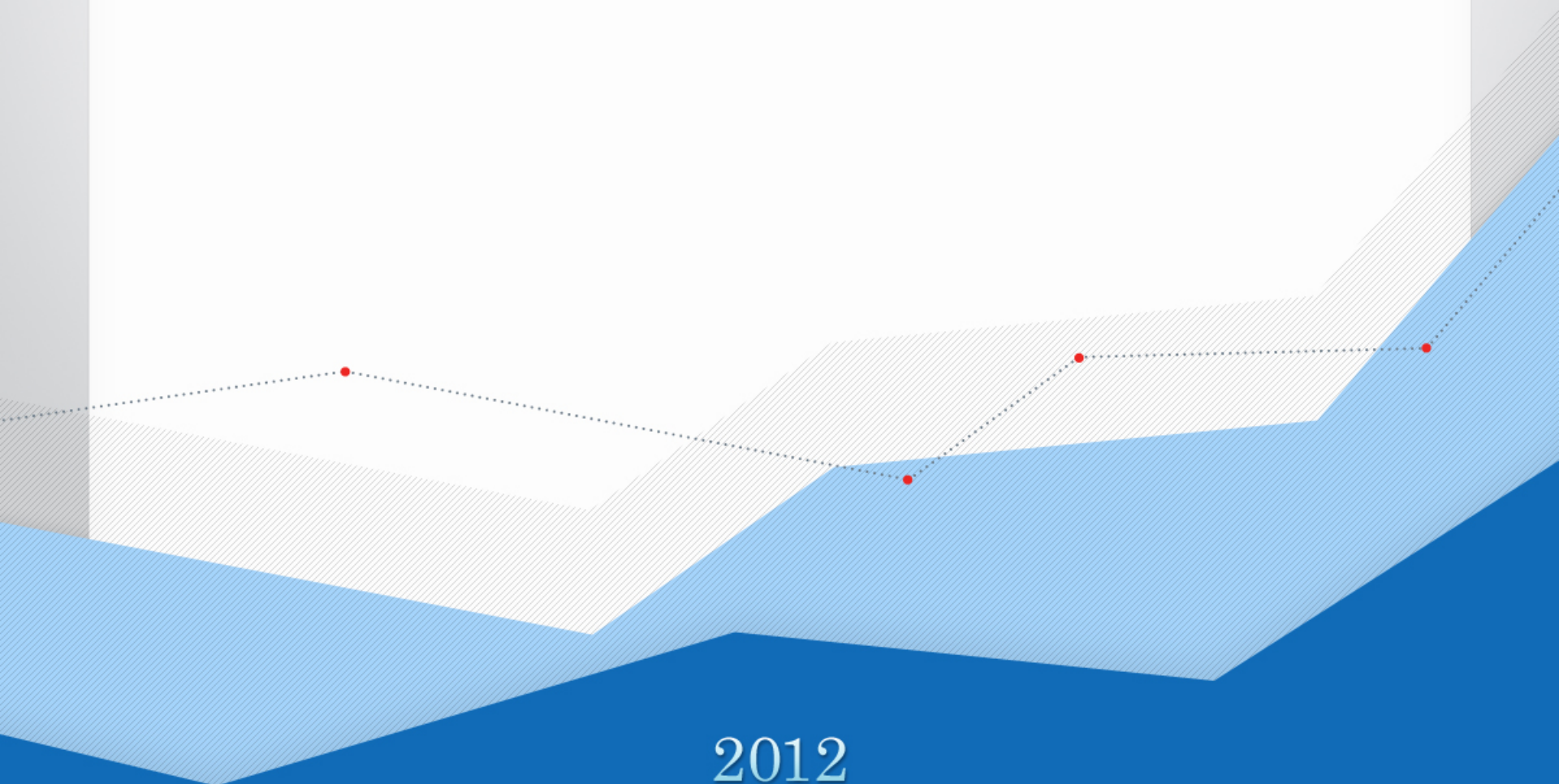




# HELPING SMALL BUSINESSES

**2Q 2012 Update**



2012

# Use of Non-GAAP Financial Measures

Some of the measures in this presentation are non-GAAP financial measures within the meaning of the SEC Regulation G. Web.com believes 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. Web.com's 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 elsewhere in this presentation and the additional disclosures in the Company's press release dated July 31, 2012 containing Web.com Group, Inc.'s results of operations for the fiscal quarter ended June 30, 2012 and available at <http://ir.web.com>.



## 2Q 2012 Highlights

- Non-GAAP Revenue = \$121.7 million (+8% year-over-year, pro forma)
  - above company guidance of \$119 - \$121 million
- Non-GAAP Net Income = \$19.1 million or \$0.38 per diluted share
  - above company guidance of \$17.5 - \$18.5 million or \$0.35 - \$0.37 per diluted share
- Adjusted EBITDA = \$35.7 million
- Adjusted EBITDA margin = 29%
- Cash from operations = \$16.4 million
- Unlevered free cash flow = \$30.5 million

## 2Q 2012 Highlights

---

- Total subscribers: 2,973,000
- Net new subscribers = 14,000 (up from 1,600 net new subscribers in 1Q 2012)
- Average Revenue per User (ARPU) = \$13.34, up \$0.19 from 1Q 2012 ARPU of \$13.15
- Customer retention = 99% per month, continued at record high levels

# Reconciliation of GAAP to Non-GAAP results

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Reconciliation of GAAP revenue to non-GAAP revenue</b>				
GAAP revenue	\$ 98,947	\$ 42,241	\$ 190,460	\$ 81,722
Fair value adjustment to deferred revenue	<u>22,783</u>	<u>3,953</u>	<u>50,606</u>	<u>9,572</u>
Non-GAAP revenue	<u>\$ 121,730</u>	<u>\$ 46,194</u>	<u>\$ 241,066</u>	<u>\$ 91,294</u>
<b>Reconciliation of GAAP net loss to non-GAAP net income</b>				
GAAP net loss	\$ (19,059)	\$ (1,847)	\$ (48,838)	\$ (7,457)
Amortization of intangibles	17,673	3,837	35,365	7,774
Loss (gain) on sale of assets	-	-	402	(2)
Stock based compensation	3,059	1,693	5,738	3,226
Income tax (benefit) expense	(4,207)	(111)	(10,745)	462
Restructuring charges	441	149	1,353	245
Corporate development	311	-	645	13
Amortization of deferred financing fees	2,975	318	6,298	626
Cash income tax (expense) benefit	(413)	26	(698)	(148)
Fair value adjustment to deferred revenue	22,783	3,953	50,606	9,572
Fair value adjustment to deferred expenses	652	65	1,328	157
Gain on sale of equity method investment	<u>(5,156)</u>	<u>-</u>	<u>(5,156)</u>	<u>-</u>
Non-GAAP net income	<u>\$ 19,059</u>	<u>\$ 8,083</u>	<u>\$ 36,298</u>	<u>\$ 14,468</u>

# Reconciliation of GAAP to Non-GAAP results

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Reconciliation of GAAP diluted net loss per share to non-GAAP net income per share</b>				
Fully diluted shares:				
Common stock	47,031	27,589	46,594	27,106
Diluted stock options	2,054	2,451	2,179	2,532
Diluted restricted stock	1,095	1,018	1,122	1,037
<b>Total</b>	<u>50,180</u>	<u>31,058</u>	<u>49,895</u>	<u>30,675</u>
Diluted GAAP net loss per share	\$ (0.41)	\$ (0.07)	\$ (1.05)	\$ (0.27)
Diluted equity	0.03	0.01	0.07	0.03
Amortization of intangibles	0.36	0.12	0.71	0.24
Gain on sale of assets	-	-	0.01	-
Stock based compensation	0.06	0.05	0.12	0.11
Income tax (benefit) expense	(0.08)	-	(0.22)	0.02
Restructuring charges	0.01	-	0.03	0.01
Corporate development	0.01	-	0.01	-
Amortization of deferred financing fees	0.06	0.01	0.13	0.02
Cash income tax expense	(0.01)	-	(0.01)	(0.01)
Fair value adjustment to deferred revenue	0.44	0.14	1.00	0.31
Fair value adjustment to deferred expense	0.01	-	0.03	0.01
Gain on sale of equity method investment	(0.10)	-	(0.10)	-
<b>Diluted Non-GAAP net income per share</b>	<u>\$ 0.38</u>	<u>\$ 0.26</u>	<u>\$ 0.73</u>	<u>\$ 0.47</u>



# Reconciliation of GAAP to Non-GAAP results

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Reconciliation of GAAP operating loss to adjusted EBITDA</b>				
GAAP operating loss	\$ (11,242)	\$ (554)	\$ (29,784)	\$ (4,132)
Depreciation and amortization	19,734	4,696	39,413	9,517
Loss (gain) on sale of assets	-	-	402	(2)
Stock based compensation	3,059	1,693	5,738	3,226
Restructuring charges	441	149	1,353	245
Corporate development	311	-	645	13
Fair value adjustment to deferred revenue	22,783	3,953	50,606	9,572
Fair value adjustment to deferred expense	<u>652</u>	<u>65</u>	<u>1,328</u>	<u>157</u>
Adjusted EBITDA	<u>\$ 35,738</u>	<u>\$ 10,002</u>	<u>\$ 69,701</u>	<u>\$ 18,596</u>



# Reconciliation of GAAP to Non-GAAP Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Reconciliation of GAAP operating margin to adjusted EBITDA margin</b>				
GAAP operating margin	-11%	-1%	-16%	-5%
Depreciation and amortization	16%	10%	16%	10%
Stock based compensation	2%	4%	2%	4%
Restructuring charges	0%	0%	1%	0%
Corporate development	0%	0%	0%	0%
Fair value adjustment to deferred revenue	22%	9%	25%	11%
Fair value adjustment to deferred expense	0%	0%	1%	0%
Adjusted EBITDA margin	<u>29%</u>	<u>22%</u>	<u>29%</u>	<u>20%</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Stock based compensation</b>				
Subscription (cost of revenue)	\$ 338	\$ 209	\$ 643	\$ 397
Sales and marketing	745	280	1,361	563
Research and development	507	226	988	436
General and administration	<u>1,469</u>	<u>978</u>	<u>2,746</u>	<u>1,830</u>
Total	<u>\$ 3,059</u>	<u>\$ 1,693</u>	<u>\$ 5,738</u>	<u>\$ 3,226</u>





# Reconciliation of GAAP to Non-GAAP Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Reconciliation of Operating Income to Unlevered Free Cash Flow</b>				
Operating Income	\$ (11,242)	\$ (554)	\$ (29,784)	\$ (4,132)
Amortization and depreciation	19,734	4,696	39,413	9,517
Stock-based compensation	3,059	1,693	5,738	3,226
Restructuring charges	441	149	1,353	245
Corporate development	311	-	645	13
Loss (gain) on sale of assets	-	-	402	(2)
Change in deferred revenue	22,630	1,602	62,237	7,844
Change in deferred expense	662	1,353	(376)	422
Cash income taxes	(413)	26	(698)	(148)
Capital expenditures	(4,638)	(690)	(7,317)	(2,683)
Unlevered free cash flow	\$ 30,544	\$ 8,275	\$ 71,613	\$ 14,302

