



The following prepared remarks are an excerpt from the 2019 Second Quarter Earnings Conference Call of Endurance International Group Holdings, Inc. To review the contents of the entire call, please refer to the official webcast, which is available in the investor relations section of Endurance's website at [www.endurance.com](http://www.endurance.com). These prepared remarks should be read in conjunction with Endurance's 2019 Second Quarter Earnings Presentation slides, which are available at the same location.

*These prepared remarks contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements concerning: our financial guidance for fiscal year 2019; our belief that our organizational structure simplification and our investment in strategic brands will strengthen our growth potential; our plans to make incremental investments in brand and marketing channels and to transform Constant Contact into a full digital marketing platform; our belief that we are now in a position to effectively deploy marketing spend; our investment and operational plans for 2019 and beyond, and the ability of these plans to result in revenue or subscriber growth; our capital expenditure plans; our ability to effectively simplify our operations; our plans to pay down debt; and our expected financial and operational performance in general. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in these prepared remarks that are not historical facts, and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "feels," "seeks," "future," "strives," "sees," "estimates," "should," "may," "will," "continues," "confident," "positions," "invests," "commits," and variations of such words or words of similar meaning and the use of future dates. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that these plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation, the possibility that our updated financial guidance or actual financial results may differ from expectations, the possibility that we may not be able to execute our investment or operational plans or that these plans will not result in the anticipated benefits to our business; the possibility that we will continue to experience decreases in our subscriber base; an adverse impact on our business from litigation or regulatory proceedings; an adverse impact on our business from our substantial indebtedness and the cost of servicing our debt; the rate of growth of the Small and Medium Business ("SMB") market for our solutions; our inability to grow our subscriber base, increase sales to our existing subscribers, or retain our existing subscribers; system or Internet failures; our inability to maintain or improve our competitive position or market share; and other risks and uncertainties discussed in our filings with the SEC, including the "Risk Factors" in our Annual Report on Form 10-K for the period ended December 31, 2018 filed with the SEC on February 21, 2019 and other reports we file with the SEC. You can obtain copies of our filings with the SEC for free at the SEC's website ([www.sec.gov](http://www.sec.gov)). We do not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.*

*These prepared remarks include data based on our internal estimates. While we believe that our internal estimates are reasonable, no independent source has verified such estimates. The information on, or that can be accessed through, any of our websites is not deemed to be incorporated in these prepared remarks or to be part of these prepared remarks.*

*Non-GAAP Financial Measures: these prepared remarks contain non-GAAP financial measures as defined by the SEC in Regulation G, including adjusted EBITDA, free cash flow, net debt, and bank adjusted EBITDA. Definitions of these non-GAAP financial measures and reconciliations to their comparable GAAP measures are included in our 2019 second quarter earnings release and presentation, each dated August 1, 2019, and available in the investor relations section of our website at [www.endurance.com](http://www.endurance.com).*

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**Angela White, VP, Investor Relations**

Good morning. It is my pleasure to welcome you to our second quarter earnings call. First, we will go through some prepared remarks after which we will turn to Q&A. We have prepared a presentation to accompany our comments, which is available in the investor relations section of our website at [ir.endurance.com](http://ir.endurance.com). While not necessary to follow along, we recommend referencing the presentation slides alongside our prepared remarks. As is customary, let me now read the safe harbor statement.

Statements made on today's call will include forward-looking statements about Endurance's future expectations, plans and prospects. All such forward-looking statements are subject to risks and uncertainties. Please refer to the cautionary language in today's earnings release and to our Form 10-K filed with the SEC on February 21, 2019 for a discussion of the risks and uncertainties that could cause our actual results to be materially different from those contemplated in these forward-looking statements. Endurance does not assume any obligation to update any forward-looking statements.

During this call, we will reference several non-GAAP financial measures, including adjusted EBITDA, free cash flow (FCF), net debt, and bank adjusted EBITDA. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is available in the presentation located in the investor relations section of our website.

With that, I will turn the call over to Jeff Fox, our president and CEO.

**Jeffrey H. Fox – President and CEO**

**Slide 5** Thanks Angela and good morning. I am pleased to report our results today. Second quarter revenue was \$278.2 million and adjusted EBITDA was \$76.3 million. We ended the quarter with approximately 4.8 million subscribers on platform, reflecting a net loss from last quarter of approximately 13 thousand subscribers. Our subscriber attrition trends continue to reflect our progress as we focus our sales, marketing and engineering investment on our strategic brands.

Over the last twelve months, we reduced our debt by over \$100 million while making significant progress transforming our company. With our increased investment in engineering, we are now testing an expanded set of solutions on our strategic platforms and the team continues to do an excellent job managing expenses as we position our combination of businesses for long-term growth.

**Slide 6** Turning to slide 6. Strategically, we operate two high margin scale platforms: email marketing and web presence. Our increased engineering investment positions us to expand our total addressable market by transforming our businesses from profitable point solutions to solution platforms that help SMBs grow. During the quarter we appointed chief operating officers for each of these scale strategic platforms. We expect that our simplified and increasingly dedicated organization combined with our focus

on our strategic brands will strengthen our growth potential in the large and dynamic SMB services marketplace.

As we look to the second half of 2019, we remain focused on delivering increased value through additional solution offers to customers joining us on our strategic brands. We believe our progress over the last year has positioned us to effectively deploy additional marketing spend. In the second half, we expect incremental investment in brand and other channels as we continue to test our ability to increase the value we deliver to customers.

**Slide 7** Turning now to our current segment performance. In email marketing, we are investing to expand Constant Contact from an email marketing business into a digital marketing platform. Beginning in Q2 and through the end of the year, we are testing our “Start Your Business” solution set under the Constant Contact brand, which targets the start of the SMB journey with products such as a free site-builder and domains. We also continue to test, enhance, and evolve our Marketing Advisor program which offers guidance and services customized to the needs of our customers. In the second quarter we also enhanced our core email marketing platform, including integration with a third party ecommerce solution and with a tool to help customers manage online search advertising. Our financial results in the quarter reflect our disciplined approach to strategically positioning our Constant Contact brand to continue generating free cash flow as we grow in the broader digital marketing category.

**Slide 8** Turning now to our web presence segment where we continue to make progress integrating our assets and transforming our team to operate as a scale competitor. With our increased investment over last year, we have made progress in our evolution from a hosting provider to a scale solution platform. At Bluehost we launched digital marketing and e-commerce solutions in the quarter adding to our introduction of MS Office 365 in the first quarter. In the second half of the year, our focus is on integrating our Asia-Pacific platform and teams to expand the scale and reach of our Bluehost business. At HostGator, we continue to invest in the brand, and are driving growth in our LATAM region. We also continue to manage our highly profitable declining brands, which continue to negatively impact overall revenue but also provide funding to support growth initiatives in our strategic brands.

**Slide 9** In our domain business, we continue to see good net unit productivity and for the remainder of the year our focus is on increasing the value customers get on our enhanced domain platform. We are pleased with the improvements in the site experience and the enhanced integration of additional products such as hosting, site builder, Office 365 and G-Suite for customers seeking to build a full online presence. In our premium domains business, we have experienced weaker trends which are reflected in our guidance and in a reduction in the value of our portfolio. Overall our domain team is focused on converting our increased investment in sales and engineering to top line growth.

**Slide 10** Overall I am pleased with the progress we have made across our two strategic business platforms. For the second half of the year we are focused on delivering more value to customers, simplifying operations, and executing our plan to effectively manage our combination of brands to produce revenue growth. Each quarter we are making progress and our disciplined use of free cash flow

combined with our operational focus is important as we transform our two strategic platforms and expand our total addressable market.

With that, I'll turn the call over to Marc Montagner to discuss our financial results in more detail.

**Marc Montagner, Chief Financial Officer**

**Slide 11** Thank you Jeff.

**Slide 12** I am pleased to review our fiscal 2019 second quarter results.

- GAAP revenue was \$278.2 million
- Adjusted EBITDA was \$76.3 million
- Free cash flow, defined as cash flow from operations, less capital expenditures and financed equipment, was \$47.6million.

Our year over year decline in adjusted EBITDA was due mostly to lower revenue and increased levels of investment in engineering and development and analytics. This was partially offset by benefits from lower data center costs and lower domain registration fees. Adjusted EBITDA excluded the impact from a reduction of approximately \$18 million in the value of our premium domain portfolio.

GAAP cash flow from operations in Q2 was \$59.7 million. Capex was \$12.0 million. Year over year cash from operations and free cash flow were positively impacted by cash outflows in the second quarter of 2018 related to the payment of our SEC settlement, the refinancing of our term loans in June 2018, and the purchase of interest rate cap protection on our term loan.

**Slide 13** We finished the second quarter with 4.769 million subscribers. Total subscribers decreased by approximately 13,000 in the second quarter 2019 compared with a decrease of 20,000 in the first quarter of this year and 93,000 in the same period a year ago. We are pleased by the overall results in our strategic brands and our year over year subscriber trends support the progress we are making in improving our business.

In the second quarter 2019, combined average revenue per subscriber (ARPS) was \$19.42. ARPS in the web presence segment was \$13.35. In email marketing, ARPS was \$69.28, and in domains, ARPS was \$15.39.

**Slide 14** Turning to 1H results, revenue was \$558.9 million. Adjusted EBITDA was \$154.8 million and free cash flow was \$54.7 million. The lower adjusted EBITDA year over year is a result of a combination of lower revenue and increased investment in engineering and development, analytics, and IT privacy and security. Cost savings in data centers and lower domain registration fees partially offset the impact.

**Slide 15** We are maintaining our guidance for 2019, and as of the date of this call, our guidance for 2019 is the following:

- GAAP revenue of \$1.120 to \$1.140 billion;
- Adjusted EBITDA of \$300 to \$320 million; and
- Free cash flow of \$110 to \$120 million.

We expect capital expenditures of approximately \$50 to \$55 million in 2019. We continue to expect to use our excess free cash flow to pay down approximately \$100 million of debt in 2019.

**Slide 16** We ended the second quarter with \$1.805 billion in total senior debt. Including other deferred purchase obligations and capital leases of \$6 million, and total cash on the balance sheet of \$93 million, total net debt at the end of the period was \$1.718 billion. During the second quarter we paid down approximately \$25 million of the principal of our term loan debt.

Our LTM bank adjusted EBITDA for the period ending June 30, 2019 was \$319.5 million. Our senior debt leverage ratio was 4.28x and remains well below our maximum senior secured leverage ratio of 6.0x.

Thank you for joining us today, and now I'll turn the call back over to Jeff to close out the call.

**Jeffrey H. Fox – President and CEO**

**Slide 17** Thanks Marc. We are focused on executing our second half of the year plan. Quarter by quarter, the teams continue to make progress transforming our two strategic platforms into growing businesses. Thank you for joining us this morning. Now I'll turn the call back to the operator to begin Q&A.