



The following prepared remarks are an excerpt from the Fourth Quarter and Fiscal 2019 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. These prepared remarks should be read in conjunction with Endurance's Fourth Quarter & Fiscal 2019 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 2020; our plans to increase marketing investment and grow our business in 2020; the expected benefits of our move to a simplified operating structure; the anticipated results of our investments in engineering and development and sales and marketing; our plans to offer solutions targeted at more specific customer segments; our expectation that our continued investment in engineering, products and services will drive improved experiences and value for our customers; our plans to leverage Ecomdash to reach customers on our Constant Contact brand; our intention to continue our efforts to simplify our business; our plans to integrate our site builder, e-commerce and email offers across our domain business; our expected level of capital expenditures; our expected use of free cash flow; 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 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 not return to or be able to maintain revenue and/or subscriber growth; an adverse impact on our business from litigation or regulatory proceedings or commercial disputes; 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). 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 fourth quarter and full year earnings release and/or presentation, each dated February 6, 2020, and available in the investor relations section of our website at www.endurance.com.

Angela White, VP, Investor Relations

Good morning. It is my pleasure to welcome you to our fourth quarter and full year 2019 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. 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 Thank you Angela and good morning. Our 2019 financial and operational performance reflects the progress we made by increasing investment in our core strategic brands. During the fourth quarter, we continued our strategic simplification effort with the sale of SinglePlatform for \$51 million dollars. When adjusting for the impact of the sale, we delivered our second straight quarter of positive net subscriber adds, our revenue increased sequentially compared to the third quarter, and our GAAP revenue continued to progress toward growth inflection.

In 2019, we generated substantial free cash flow and reduced our net debt by over \$160 million while also adding Ecomdash to our solution set in the third quarter.

Operationally our two COO structure is allowing us to simplify and execute with increasing effectiveness. As we enter 2020, we are positioned to benefit from our enhanced solution investment and brand focus, which we will review in more detail later in our discussion.

Slide 6 Before we dive into segment results, it's important to look at the valuable platform we are building at Endurance. Two years ago, we made the decision to increase investment in selected

platforms and strategic brands. Our simple guiding principle for our focus brands is to deliver increasing customer value to create increasing customer success. Our two-segment operating structure is designed to leverage our increased engineering investment to deliver continuously enhanced solution options to our customers at scale. As a scale player acquiring over a million new customers a year, we are now positioned to participate more effectively in growth opportunities that are addressable by our strategic brands.

Slide 7 As we close out 2019 and look to 2020, we are focused on converting our 2019 progress into growth. Marc will discuss guidance in his section, but at a high level, with customer success as our central tenet, we will continue to invest in product, engineering, and sales and marketing, to participate in the growing total addressable market we serve. Starting in 2020, in order to better align our reporting with operations, we will move from three reporting segments back to two reporting segments, which Marc will discuss in more detail.

Slide 8 Starting with our email marketing segment, we made substantial progress expanding the capability of our platform in 2019. We have a strong brand in Constant Contact and we expanded the pathway to bringing customers online with the launch of our site builder, domain, logo and ecommerce functionality. We also invested in our Marketing Advisor program which is designed to guide customers through their journey to grow their business, no matter the stage. In addition, we continued to add core small business marketing capabilities by integrating our market leading email platform with social media and advertising services.

In 2020, as we focus on customer success, we will offer solutions targeted at more specific segments. Whether a customer is seeking to establish an identity with a logo and website, or is ready to start sending larger list email campaigns, we are reshaping Constant Contact to be a business that helps customers succeed in growing their relationships and business. Our investment in engineering is expected to drive improved experiences such as a guided journey for customers that includes customized in-product offers and in-product assistance. We will also be working to leverage our Ecomdash capabilities with offers to customers of Constant Contact and selected web presence brands.

Slide 9 Turning now to our web presence segment. In 2019 we substantially completed the shift of our marketing spend to the Bluehost and HostGator brands, including in LATAM and APAC. We saw progress operationally as we created focus and scale, and our efforts continued to move us closer to inflection on both a unit and revenue basis. In addition, we continued to increase investment in our strategic web presence product delivery platform. In the fourth quarter we relaunched the Bluehost brand in India on this enhanced core platform, and made progress delivering an enhanced set of solutions such as Microsoft Office 365 and small business advertising tools.

In 2020 we plan to increase our marketing investment on our Bluehost and HostGator brands. Our team is focused on growing net subscribers and increasing penetration of solutions on these strategic brands as we leverage the increasing investment we are making in our core product delivery platform. Our simplification efforts will also continue across our highly cash-generative non-strategic brands.

Slide 10 Turning to our domain business. In 2019 we focused on expanding our overall market position with early life cycle customers. We added products such as email and office productivity tools and integrated our express site builder in the fourth quarter. We are pleased with the net unit growth we saw in this segment in 2019.

In 2020, we will continue to refine and integrate our site builder, e-commerce, and email offers across our domain business as we focus on delivering value to our customers and growing our revenue.

Slide 11 We are pleased with the progress we are making in our strategic brands. We will continue to invest in a return to growth by delivering increased value to our customers and providing the tools they need to drive success. Our teams have worked hard to reach this year of inflection and we are looking forward to executing our plan and growing the business in 2020.

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 12 Thank you Jeff.

Slide 13 I'm pleased to review our fourth quarter and fiscal 2019 results. For 2019, on a reported basis:

- GAAP revenue was \$1.113 billion
- Adjusted EBITDA was \$313.6 million
- Free cash flow, defined as cash flow from operations, less capital expenditures and financed equipment, was \$114.7 million.

Full year 2019 revenue and adjusted EBITDA contribution from SinglePlatform was \$25.4 million and \$4.0 million, respectively. In 2018, SinglePlatform contributed \$28.4 million in revenue and \$6.2 million in adjusted EBITDA.

Our year over year decline in adjusted EBITDA was due mostly to lower revenue, increased levels of investment in engineering and development, analytics, IT, privacy and cyber security. This was partially offset by benefits from lower data center costs and lower sales and marketing spend. In Q4 2019, we also received a D&O insurance reimbursement of approximately \$4 million related to past legal expenses. This positively impacted adjusted EBITDA for the fourth quarter and full year.

This quarter we booked an impairment of \$19.6 million. Approximately \$7 million was recorded in the COGS line relating to domain intangibles and the remainder in operating expenses related to a reduction in goodwill.

GAAP cash flow from operations in 2019 was \$162.0 million. Capex was \$47.3 million, and free cash flow was \$114.7 million. Year over year cash flow from operations and free cash flow were mostly

impacted by higher operating expenses in 2019 versus 2018. These were offset mostly by higher change in deferred revenue, lower cash interest payments and lower capex.

Slide 14 In the fourth quarter 2019, on a reported basis, revenue was \$277.2 million and adjusted EBITDA was \$78.2 million. Free cash flow in Q4 was \$32.1 million. Year over year free cash flow was positively impacted by higher change in deferred revenue, legal D&O insurance reimbursement, lower interest payments and lower capex, which offset higher taxes.

Fourth quarter revenue on an adjusted basis, excluding SinglePlatform, was \$272.4 million and adjusted EBITDA was \$77.8 million. Excluding SinglePlatform revenue of \$6.8 million in the third quarter 2019, and revenue of \$4.8 million in the fourth quarter 2019, we saw an increase in revenue of \$2 million quarter over quarter.

Slide 15 For the full year 2019, ending subscriber count was 4.766 million subscribers. Ending subscriber count was reduced by approximately 23K subscribers due to the sale of SinglePlatform in December 2019. Net subscriber losses for the year totaled 36.8K, and if adjusting for the divestiture of SinglePlatform, net subscriber losses would have been approximately 12.0K. Average revenue per subscriber for the year was \$19.35.

Slide 16 We finished the fourth quarter with 4.766 million subscribers. As noted, the SinglePlatform sale reduced total subscriber count at the end of quarter by approximately 23K. Excluding this impact, net subscriber additions for the fourth quarter would have been positive 8.9K compared to the reported subscriber loss of 14.4K. We are very pleased to see another quarter of positive subscriber additions.

In the fourth quarter 2019, combined average revenue per subscriber (ARPS) was \$19.34. ARPS in the web presence segment was \$13.37. In email marketing, ARPS was \$70.70, and in domain, ARPS was \$14.42.

Slide 17 We are introducing our guidance for 2020, and as of the date of this call, our guidance for 2020 is the following:

- GAAP revenue of approximately \$1.085 billion to \$1.110 billion;
- Adjusted EBITDA of approximately \$300 million; and
- Free cash flow of approximately \$110 million.

For an apples to apples comparison, excluding the impact of SinglePlatform in 2019, revenue guidance for the full year implies nominal growth at the midpoint. Our adjusted EBITDA guidance implies an increase in investment, primarily in marketing, and engineering and development. We expect capital expenditures of approximately \$50 million in 2020.

Please note that in order to better align with how we now run our businesses under two co-COOs, in 2020 we will move from three reporting segments to two reporting segments.

- Our email marketing segment will be renamed “digital marketing” and will include Constant Contact and Ecomdash.

- Our web presence segment will include our strategic brands across hosting and domain, domestic and international, as well as our non-strategic brands. As a result, our domain segment will be consolidated into the overall web presence segment.

Revenue attributable to our legacy site builder brands will continue to be reported in our web presence segment. Revenue attributable to the Constant Contact digital marketing suite will be reported in the digital marketing segment. The main adjustment going forward will be a cost allocation of site builder E&D to our digital marketing segment for the use of the website builder and other solutions sold under the Constant Contact brand. Previously, substantially all of the site builder E&D costs were allocated to our web presence segment.

Slide 18 We ended the fourth quarter with \$1.724 billion in total senior debt. Including other deferred purchase obligations and capital leases of \$3 million, and total cash on the balance sheet of \$113 million, total net debt at the end of the period was \$1.614 billion. During the fourth quarter we paid down approximately \$56 million of the principal of our term loan debt, using approximately \$48 million in net proceeds from the SinglePlatform sale. For the full year, we paid down \$131 million in principal of our term loan debt.

Our LTM bank adjusted EBITDA for the period ending December 31, 2019 was \$311.2 million. Our senior debt leverage ratio was 4.06x 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 19 Thanks Marc. We are pleased with the progress we made in 2019, and look forward to executing our 2020 plan. Our teams are focused on continuing to position the business for growth. Thank you for joining us this morning. Now I'll turn the call back to the operator to begin Q&A.