



# ENDURANCE

## International Group

### Endurance International Group Reports 2019 Third Quarter Results

October 31, 2019

- GAAP revenue of \$277.2 million
- Net income of \$7.8 million
- Adjusted EBITDA of \$80.6 million
- Cash flow from operations of \$41.0 million
- Free cash flow of \$27.8 million
- Total subscribers on platform were approximately 4.780 million at September 30, 2019

BURLINGTON, Mass., Oct. 31, 2019 (GLOBE NEWSWIRE) -- Endurance International Group Holdings, Inc. (NASDAQ: EIGI), a leading provider of cloud-based platform solutions designed to help small and medium-sized businesses succeed online, today reported financial results for its third quarter ended September 30, 2019.

"We are pleased with the progress we made in the third quarter, which resulted in positive net units as an enterprise. During the quarter we continued to deliver increased solution value to our customers with focused investment on our strategic brands," commented Jeffrey H. Fox, president and chief executive officer of Endurance International Group. "We believe our net subscriber and revenue trend reflects continued progress toward our goal of returning our multi-brand scale SMB platform to growth."

#### Third Quarter 2019 Financial Highlights

- Revenue for the third quarter of 2019 was \$277.2 million, a decrease of 2.3 percent compared to \$283.8 million for the third quarter of 2018.
- Net income for the third quarter of 2019 was \$7.8 million, or \$0.05 per diluted share, compared to net loss of \$6.3 million, or \$(0.04) per diluted share, for the third quarter of 2018.
- Adjusted EBITDA for the third quarter of 2019 was \$80.6 million, a decrease of 7.9 percent compared to \$87.5 million for the third quarter of 2018.
- Cash flow from operations for the third quarter of 2019 was \$41.0 million, a decrease of 20.2 percent compared to \$51.3 million for the third quarter of 2018.
- Free cash flow, defined as cash flow from operations less capital expenditures and financed equipment obligations, for the third quarter of 2019 was \$27.8 million, a decrease of 31.5 percent compared to \$40.7 million for the third quarter of 2018.

#### Third Quarter 2019 Operating Highlights

- Total subscribers on platform at September 30, 2019 were approximately 4.780 million, compared to approximately 4.852 million subscribers at September 30, 2018 and approximately 4.802 million subscribers at December 31, 2018. Total subscribers at the end of the quarter increased by approximately 10,700 as compared to the second quarter, and included approximately 1,300 subscribers from the September 2019 acquisition of Ecomdash disclosed in our Form 8-K filed on September 16, 2019. See "Total Subscribers" below.
- Average revenue per subscriber, or ARPS, for the third quarter of 2019 was \$19.35, compared to \$19.36 for the third quarter of 2018 and \$19.50 for the fourth quarter of 2018. See "Average Revenue Per Subscriber" below.

#### Fiscal 2019 Guidance

The Company is revising its guidance for the full year ending December 31, 2019. As of the date of this release, October 31, 2019, the Company expects:

|                 | <b>2018 Actual<br/>as Reported</b> | <b>Prior Guidance</b>      | <b>Revised Guidance<br/>(as of October 31, 2019)</b> |
|-----------------|------------------------------------|----------------------------|--|
| GAAP revenue    | \$1.145 billion                    | \$1.120 to \$1.140 billion | ~\$1.115 billion                                     |
| Adjusted EBITDA | \$338 million                      | \$300 to \$320 million     | \$300 to \$310 million                               |
| Free cash flow  | \$129 million                      | \$110 to \$120 million     | \$110 to \$120 million                               |

Adjusted EBITDA and free cash flow are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to their most comparable measure calculated in accordance with GAAP is provided in the financial statement tables included at the end of this press release.

#### Conference Call and Webcast Information

Endurance International Group's third quarter 2019 financial results teleconference and webcast is scheduled to begin at 8:00 a.m. EDT on Thursday, October 31, 2019. To participate on the live call, analysts and investors should dial (888) 734-0328 at least ten minutes prior to the call. Endurance International Group will also offer a live and archived webcast of the conference call, accessible from the Investor Relations section of the Company's website at <http://ir.endurance.com>.

### **Non-GAAP Financial Measures**

In addition to our financial information presented in accordance with GAAP, we use adjusted EBITDA and free cash flow, which are non-GAAP financial measures, to evaluate the operating and financial performance of our business, identify trends affecting our business, develop projections and make strategic business decisions. A non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flow that excludes amounts that are included in the most directly comparable measure calculated and presented in accordance with GAAP or includes amounts that are excluded from the most directly comparable measure calculated and presented in accordance with GAAP.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently. In addition, there are limitations in using non-GAAP financial measures because they are not prepared in accordance with GAAP and exclude expenses that may have a material impact on our reported financial results. For example, adjusted EBITDA excludes interest expense, which has been and will continue to be for the foreseeable future a significant recurring expense in our business. The presentation of non-GAAP financial information is not meant to be considered in isolation from, or as a substitute for, the most directly comparable financial measures prepared in accordance with GAAP. We urge you to review the additional information about adjusted EBITDA and free cash flow shown below, including the reconciliations of these non-GAAP financial measures to their comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

Adjusted EBITDA is a non-GAAP financial measure that we calculate as net (loss) income, excluding the impact of interest expense (net), income tax expense (benefit), depreciation, amortization of other intangible assets, stock-based compensation, restructuring expenses, transaction expenses and charges, (gain) loss of unconsolidated entities, impairment of other long-lived assets, SEC investigations reserve, and shareholder litigation reserve. We view adjusted EBITDA as a performance measure and believe it helps investors evaluate and compare our core operating performance from period to period.

Free Cash Flow, or FCF, is a non-GAAP financial measure that we calculate as cash flow from operations less capital expenditures and financed equipment obligations. We believe that FCF provides investors with an indicator of our ability to generate positive cash flows after meeting our obligations with regard to capital expenditures (including financed equipment obligations).

### **Key Operating Metrics**

**Total Subscribers** - We define total subscribers as the approximate number of subscribers that, as of the end of a period, are identified as subscribing directly to our products on a paid basis, excluding accounts that access our solutions via resellers or that purchase only domain names from us. Subscribers of more than one brand, and subscribers with more than one distinct billing relationship or subscription with us, are counted as separate subscribers. Total subscribers for a period reflects adjustments to add or subtract subscribers as we integrate acquisitions and/or are otherwise able to identify subscribers that meet, or do not meet, this definition of total subscribers. In the third quarter of 2019, these adjustments had a positive impact of approximately 3,000 to our total subscriber count.

**Average Revenue Per Subscriber (ARPS)** - We calculate ARPS as the amount of revenue we recognize in a period, including marketing development funds and other revenue not received from subscribers, divided by the average of the number of total subscribers at the beginning of the period and at the end of the period, which we refer to as average subscribers for the period, divided by the number of months in the period. See definition of "Total Subscribers" above. ARPS does not represent an exact measure of the average amount a subscriber spends with us each month, since our calculation of ARPS is impacted by revenues generated by non-subscribers.

### **Forward-Looking Statements**

This press release includes 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 reflecting our belief that our net subscriber and revenue trend reflects continued progress toward our goal of returning to growth, our financial guidance for fiscal year 2019, and our expectations of future growth and 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 this press release that are not historical facts, and statements identified by words such as "expects," "anticipates," "believes," "estimates," "may," "continue," "positions," "confident," 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, strategies or prospects 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 our 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 a return to growth or other anticipated benefits to our business; the possibility that we will experience decreases in, or fail to grow, 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 increase sales to our existing subscribers, or retain our existing subscribers; data breaches; 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 those set forth under the caption "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.

We assume no obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

### **About Endurance International Group**

Endurance International Group Holdings, Inc. (NASDAQ:EIGI) helps millions of small businesses worldwide with products and technology to enhance their online web presence, email marketing, business solutions, and more. The Endurance family of brands includes: Constant Contact, Bluehost, HostGator and Domain.com, among others. Headquartered in Burlington, Massachusetts, Endurance employs over 3,700 people across the United States, Brazil, India and the Netherlands. For more information, visit: [www.endurance.com](http://www.endurance.com).

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**Endurance International Group Holdings, Inc.**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share amounts)

|  | December 31,<br>2018 | September 30,<br>2019<br>(unaudited) |
|--|----------------------|--------------------------------------|
| <b>Assets</b>  |                      |                                      |
| Current assets:  |                      |                                      |
| Cash and cash equivalents  | \$ 88,644            | \$ 84,465                            |
| Restricted cash  | 1,932                | 1,832                                |
| Accounts receivable  | 12,205               | 12,139                               |
| Prepaid domain name registry fees  | 56,779               | 56,555                               |
| Prepaid commissions  | 41,458               | 40,528                               |
| Prepaid and refundable taxes   | 7,235                | 13,070                               |
| Prepaid expenses and other current assets  | 27,855               | 23,137                               |
| Total current assets   | 236,108              | 231,726                              |
| Property and equipment—net   | 92,275               | 86,318                               |
| Operating lease right-of-use assets  | —                    | 98,064                               |
| Goodwill   | 1,849,065            | 1,854,829                            |
| Other intangible assets—net  | 352,516              | 273,329                              |
| Deferred financing costs—net   | 2,656                | 2,000                                |
| Investments  | 15,000               | 15,000                               |
| Prepaid domain name registry fees, net of current portion  | 11,207               | 11,139                               |
| Prepaid commissions, net of current portion  | 42,472               | 47,776                               |
| Other assets   | 5,208                | 2,292                                |
| Total assets   | \$ 2,606,507         | \$ 2,622,473                         |
| <b>Liabilities and stockholders' equity</b>  |                      |                                      |
| Current liabilities:   |                      |                                      |
| Accounts payable   | \$ 12,449            | \$ 10,171                            |
| Accrued expenses   | 79,279               | 67,267                               |
| Accrued taxes  | 2,498                | 1,783                                |
| Accrued interest   | 25,259               | 14,526                               |
| Deferred revenue   | 371,758              | 375,729                              |
| Operating lease liabilities—short term   | —                    | 22,474                               |
| Current portion of notes payable   | 31,606               | 31,606                               |
| Current portion of financed equipment  | 8,379                | 2,637                                |
| Deferred consideration—short term  | 2,425                | 2,181                                |
| Other current liabilities  | 3,147                | 2,216                                |
| Total current liabilities  | 536,800              | 530,590                              |
| Long-term deferred revenue   | 96,140               | 99,257                               |
| Operating lease liabilities—long term  | —                    | 84,594                               |
| Notes payable—long term, net of original issue discounts of \$21,349 and \$18,013 and deferred financing costs of \$31,992 and \$27,318, respectively  | 1,770,055            | 1,703,065                            |
| Deferred tax liability   | 16,457               | 20,231                               |
| Deferred consideration—long term   | 1,364                | —                                    |
| Other liabilities  | 11,237               | 6,308                                |
| Total liabilities  | 2,432,053            | 2,444,045                            |
| Stockholders' equity:  |                      |                                      |
| Preferred Stock—par value \$0.0001; 5,000,000 shares authorized; no shares issued or outstanding   | —                    | —                                    |
| Common Stock—par value \$0.0001; 500,000,000 shares authorized; 143,444,515 and 146,140,876 shares issued at December 31, 2018 and September 30, 2019, respectively; 143,444,178 and 146,140,876 outstanding at December 31, 2018 and September 30, 2019, respectively | 14                   | 15                                   |

|  |              |              |
|--|--------------|--------------|
| Additional paid-in capital                 | 961,235      | 988,773      |
| Accumulated other comprehensive loss       | (3,211 )     | (4,876 )     |
| Accumulated deficit                        | (783,584 )   | (805,484 )   |
| Total stockholders' equity                 | 174,454      | 178,428      |
| Total liabilities and stockholders' equity | \$ 2,606,507 | \$ 2,622,473 |

**Endurance International Group Holdings, Inc.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
(unaudited)  
(in thousands, except share and per share amounts)

|  | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|-------------|------------------------------------|--------------|
|  | 2018                                | 2019        | 2018                               | 2019         |
| Revenue  | \$ 283,770                          | \$ 277,193  | \$ 862,896                         | \$ 836,080   |
| Cost of revenue (including impairment of \$0 and \$17,892, respectively, for the three and nine months ended September 30, 2019)   | 128,945                             | 120,755     | 393,597                            | 384,196      |
| Gross profit   | 154,825                             | 156,438     | 469,299                            | 451,884      |
| Operating expense:   |                                     |             |                                    |              |
| Sales and marketing  | 63,831                              | 59,143      | 197,733                            | 191,221      |
| Engineering and development  | 22,683                              | 28,257      | 64,559                             | 77,299       |
| General and administrative   | 25,693                              | 30,309      | 95,212                             | 92,826       |
| Total operating expense  | 112,207                             | 117,709     | 357,504                            | 361,346      |
| Income from operations   | 42,618                              | 38,729      | 111,795                            | 90,538       |
| Other income (expense):  |                                     |             |                                    |              |
| Interest income  | 289                                 | 305         | 720                                | 910          |
| Interest expense   | (37,527 )                           | (36,057 )   | (111,923 )                         | (110,308 )   |
| Total other expense—net  | (37,238 )                           | (35,752 )   | (111,203 )                         | (109,398 )   |
| Income (loss) before income taxes and equity earnings of unconsolidated entities   | 5,380                               | 2,977       | 592                                | (18,860 )    |
| Income tax expense (benefit)   | 11,715                              | (4,839 )    | 8,826                              | 3,040        |
| (Loss) income before equity earnings of unconsolidated entities  | (6,335 )                            | 7,816       | (8,234 )                           | (21,900 )    |
| Equity loss of unconsolidated entities, net of tax   | —                                   | —           | 2                                  | —            |
| Net (loss) income  | \$ (6,335 )                         | \$ 7,816    | \$ (8,236 )                        | \$ (21,900 ) |
| Comprehensive (loss) income:   |                                     |             |                                    |              |
| Foreign currency translation adjustments   | (644 )                              | (1,001 )    | (2,489 )                           | (1,054 )     |
| Unrealized gain (loss) on cash flow hedge, net of tax (expense) benefit of (\$182) and \$626 for the three and nine months ended September 30, 2018, respectively, and (\$70) and \$200 for the three and nine months ended September 30, 2019, respectively | 812                                 | 240         | 1,996                              | (611 )       |
| Total comprehensive (loss) income  | \$ (6,167 )                         | \$ 7,055    | \$ (8,729 )                        | \$ (23,565 ) |
| Basic net (loss) income per share  | \$ (0.04 )                          | \$ 0.05     | \$ (0.06 )                         | \$ (0.15 )   |
| Diluted net (loss) income per share  | \$ (0.04 )                          | \$ 0.05     | \$ (0.06 )                         | \$ (0.15 )   |
| Weighted-average common shares used in computing net (loss) income per share:  |                                     |             |                                    |              |
| Basic  | 143,107,122                         | 145,951,755 | 141,946,574                        | 144,932,834  |
| Diluted  | 143,107,122                         | 146,301,595 | 141,946,574                        | 144,932,834  |

**Endurance International Group Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
(unaudited) (in thousands)

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|----------|------------------------------------|--------------|
|  | 2018                                | 2019     | 2018                               | 2019         |
| Cash flows from operating activities:  |                                     |          |                                    |              |
| Net (loss) income  | \$ (6,335 )                         | \$ 7,816 | \$ (8,236 )                        | \$ (21,900 ) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                                     |          |                                    |              |
| Depreciation of property and equipment   | 11,889                              | 11,280   | 36,753                             | 33,385       |
| Amortization of other intangible assets  | 26,177                              | 21,668   | 77,890                             | 64,137       |
| Impairment of long-lived assets  | —                                   | —        | —                                  | 17,892       |
| Amortization of deferred financing costs   | 1,722                               | 1,822    | 4,708                              | 5,331        |

|  |           |           |             |            |
|--|-----------|-----------|-------------|------------|
| Amortization of net present value of deferred consideration                    | 60        | 23        | 311         | 143        |
| Amortization of original issue discounts                                       | 1,083     | 1,138     | 3,209       | 3,336      |
| Stock-based compensation   | 7,550     | 9,143     | 21,932      | 27,513     |
| Deferred tax expense   | 13,323    | (685)     | 8,839       | 1,942      |
| (Gain) loss on sale of assets  | (70)      | (8)       | 191         | 128        |
| Loss from unconsolidated entities  | —         | —         | 2           | —          |
| Financing costs expensed   | —         | —         | 1,228       | —          |
| Loss on early extinguishment of debt   | —         | —         | 331         | —          |
| Changes in operating assets and liabilities, net of acquisitions:              |           |           |             |            |
| Accounts receivable  | (2,053)   | 827       | 1,687       | 34         |
| Prepaid and refundable taxes   | (2,344)   | (6,633)   | (3,446)     | (5,908)    |
| Prepaid expenses and other current assets                                      | 11,371    | 2,780     | 2,703       | 5,108      |
| Leases right-of-use asset, net   | —         | (258)     | —           | 395        |
| Accounts payable and accrued expenses  | (6,341)   | (8,357)   | (18,011)    | (23,492)   |
| Deferred revenue   | (4,691)   | 395       | 3,502       | 7,636      |
| Net cash provided by operating activities                                      | 51,341    | 40,951    | 133,593     | 115,680    |
| Cash flows from investing activities:  |           |           |             |            |
| Businesses acquired in purchase transactions, net of cash acquired             | —         | (8,875)   | —           | (8,875)    |
| Purchases of property and equipment  | (8,962)   | (10,632)  | (22,343)    | (26,796)   |
| Proceeds from sale of assets   | 6         | 1         | 6           | 1          |
| Net cash used in investing activities  | (8,956)   | (19,506)  | (22,337)    | (35,670)   |
| Cash flows from financing activities:  |           |           |             |            |
| Proceeds from issuance of term loan and notes, net of original issue discounts | —         | —         | 1,580,305   | —          |
| Repayments of term loans   | (25,401)  | (25,000)  | (1,656,094) | (75,000)   |
| Payment of financing costs   | (285)     | —         | (1,580)     | —          |
| Payment of deferred consideration  | (304)     | —         | (4,500)     | (2,500)    |
| Principal payments on financed equipment                                       | (1,700)   | (2,471)   | (5,609)     | (6,332)    |
| Proceeds from exercise of stock options  | 300       | 4         | 756         | 26         |
| Net cash used in financing activities  | (27,390)  | (27,467)  | (86,722)    | (83,806)   |
| Net effect of exchange rate on cash and cash equivalents and restricted cash   | (658)     | (331)     | (2,146)     | (483)      |
| Net increase (decrease) in cash and cash equivalents and restricted cash       | 14,337    | (6,353)   | 22,388      | (4,279)    |
| Cash and cash equivalents and restricted cash:                                 |           |           |             |            |
| Beginning of period  | 77,169    | 92,650    | 69,118      | 90,576     |
| End of period  | \$ 91,506 | \$ 86,297 | \$ 91,506   | \$ 86,297  |
| Supplemental cash flow information:  |           |           |             |            |
| Interest paid  | \$ 37,678 | \$ 42,533 | \$ 110,139  | \$ 110,886 |
| Income taxes paid  | \$ 1,603  | \$ 991    | \$ 3,725    | \$ 1,715   |

#### GAAP to Non-GAAP Reconciliation - Adjusted EBITDA

The following table presents a reconciliation of net income (loss) calculated in accordance with GAAP to adjusted EBITDA (all data in thousands):

|   | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                   |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
|   | 2018                                | 2019             | 2018                               | 2019              |
| Net (loss) income                       | \$ (6,335)                          | \$ 7,816         | \$ (8,236)                         | \$ (21,900)       |
| Interest expense, net <sup>(1)</sup>    | 37,238                              | 35,752           | 111,203                            | 109,398           |
| Income tax expense (benefit)            | 11,715                              | (4,839)          | 8,826                              | 3,040             |
| Depreciation                            | 11,889                              | 11,280           | 36,753                             | 33,385            |
| Amortization of other intangible assets | 26,177                              | 21,668           | 77,890                             | 64,137            |
| Stock-based compensation                | 7,550                               | 9,143            | 21,932                             | 27,513            |
| Restructuring expenses                  | 197                                 | (193)            | 3,021                              | 2,005             |
| Loss from unconsolidated entities       | —                                   | —                | 2                                  | —                 |
| Impairment of other long-lived assets   | —                                   | —                | —                                  | 17,892            |
| Shareholder litigation reserve          | (935)                               | —                | 7,325                              | —                 |
| Adjusted EBITDA                         | <b>\$ 87,496</b>                    | <b>\$ 80,627</b> | <b>\$ 258,716</b>                  | <b>\$ 235,470</b> |

(1) Interest expense includes impact of amortization of deferred financing costs, original issuance discounts and interest income.

#### GAAP to Non-GAAP Reconciliation – Free Cash Flow

The following table reflects the reconciliation of cash flow from operations to free cash flow ("FCF") (all data in thousands):

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                   |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
|  | 2018                                | 2019             | 2018                               | 2019              |
| <b>Cash flows from operations</b>                          | <b>\$ 51,341</b>                    | <b>\$ 40,951</b> | <b>\$ 133,593</b>                  | <b>\$ 115,680</b> |
| Less:  |                                     |                  |                                    |                   |
| Capital expenditures and financed equipment <sup>(1)</sup> | (10,662)                            | (13,103)         | (27,952)                           | (33,128)          |
| <b>Free cash flow</b>                                      | <b>\$ 40,679</b>                    | <b>\$ 27,848</b> | <b>\$ 105,641</b>                  | <b>\$ 82,552</b>  |

(1) Capital expenditures during the three months ended September 30, 2018 and 2019 includes \$1.7 million and \$2.5 million, respectively, of principal payments under a three year agreement for equipment financing. Capital expenditures during the nine months ended September 30, 2018 and 2019 includes \$5.6 million and \$6.3 million, respectively, of principal payments under a three year agreement for equipment financing. The remaining balance on the equipment financing is \$2.6 million as of September 30, 2019.

#### Average Revenue Per Subscriber - Calculation and Segment Detail

We present our financial results in the following three segments.

- **Web presence.** The web presence segment consists primarily of our web hosting brands, including Bluehost and HostGator. This segment also includes related products such as domain names, website security, website design tools and services, and e-commerce products.
- **Email marketing.** The email marketing segment consists of Constant Contact email marketing tools and related products and the SinglePlatform digital storefront solution. This segment also generates revenue from sales of our Constant Contact-branded website builder tool and our Ecomdash inventory management and marketplace listing solution.
- **Domain.** The domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with our domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to our web presence segment.

The following table presents the calculation of ARPS, on a consolidated basis and by segment (all data in thousands, except ARPS data):

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
|  | 2018                                | 2019            | 2018                               | 2019            |
| Consolidated revenue                               | \$ 283,770                          | \$ 277,193      | \$ 862,896                         | \$ 836,080      |
| Consolidated total subscribers                     | 4,852                               | 4,780           | 4,852                              | 4,780           |
| Consolidated average subscribers for the period    | 4,885                               | 4,774           | 4,951                              | 4,791           |
| <b>Consolidated ARPS</b>                           | <b>\$ 19.36</b>                     | <b>\$ 19.35</b> | <b>\$ 19.36</b>                    | <b>\$ 19.39</b> |
| Web presence revenue                               | \$ 149,871                          | \$ 143,196      | \$ 457,603                         | \$ 433,353      |
| Web presence subscribers                           | 3,682                               | 3,579           | 3,682                              | 3,579           |
| Web presence average subscribers for the period    | 3,709                               | 3,584           | 3,765                              | 3,610           |
| <b>Web presence ARPS</b>                           | <b>\$ 13.47</b>                     | <b>\$ 13.32</b> | <b>\$ 13.50</b>                    | <b>\$ 13.34</b> |
| Email marketing revenue                            | \$ 102,111                          | \$ 102,765      | \$ 306,712                         | \$ 307,984      |
| Email marketing subscribers <sup>(1)</sup>         | 499                                 | 491             | 499                                | 491             |
| Email marketing average subscribers for the period | 502                                 | 491             | 509                                | 493             |
| <b>Email marketing ARPS</b>                        | <b>\$ 67.88</b>                     | <b>\$ 69.79</b> | <b>\$ 66.97</b>                    | <b>\$ 69.40</b> |
| Domain revenue                                     | \$ 31,788                           | \$ 31,232       | \$ 98,581                          | \$ 94,743       |
| Domain subscribers                                 | 671                                 | 710             | 671                                | 710             |
| Domain average subscribers for the period          | 674                                 | 699             | 677                                | 688             |
| <b>Domain ARPS</b>                                 | <b>\$ 15.71</b>                     | <b>\$ 14.88</b> | <b>\$ 16.18</b>                    | <b>\$ 15.30</b> |

(1) Total email marketing subscriber count as of September 30, 2018 was impacted by a loss of approximately 10,500 subscribers, which resulted from changes made to Constant Contact's account cancellation policy to make it more consistent with the rest of our business. These changes took place in the three months ended June 30, 2018, as previously disclosed. In addition, the total email marketing subscriber count as of September 30, 2019 includes approximately 1,300 subscribers added as part of our September 2019 acquisition of Ecomdash.

The following table presents revenue, gross profit, and a reconciliation by segment of net income (loss) calculated in accordance with GAAP to adjusted EBITDA (all data in thousands):

**Three Months Ended September 30, 2018**

|   | <b>Web<br/>presence</b> | <b>Email<br/>marketing</b> | <b>Domain</b>   | <b>Total</b>     |
|---|-------------------------|----------------------------|-----------------|------------------|
| Revenue                                 | \$ 149,871              | \$ 102,111                 | \$ 31,788       | \$ 283,770       |
| Gross profit                            | \$ 75,074               | \$ 71,356                  | \$ 8,395        | \$ 154,825       |
| Net (loss) income                       | \$ (7,565 )             | \$ 6,596                   | \$ (5,366 )     | \$ (6,335 )      |
| Interest expense, net <sup>(1)</sup>    | 18,132                  | 17,128                     | 1,978           | 37,238           |
| Income tax expense (benefit)            | 6,136                   | 4,179                      | 1,400           | 11,715           |
| Depreciation                            | 8,401                   | 2,538                      | 950             | 11,889           |
| Amortization of other intangible assets | 11,941                  | 13,384                     | 852             | 26,177           |
| Stock-based compensation                | 1,569                   | 4,472                      | 1,509           | 7,550            |
| Restructuring expenses                  | 54                      | 141                        | 2               | 197              |
| Loss of unconsolidated entities         | —                       | —                          | —               | —                |
| Impairment of other long-lived assets   | —                       | —                          | —               | —                |
| Shareholder litigation reserve          | (768 )                  | —                          | (167 )          | (935 )           |
| <b>Adjusted EBITDA</b>                  | <b>\$ 37,900</b>        | <b>\$ 48,438</b>           | <b>\$ 1,158</b> | <b>\$ 87,496</b> |

#### Three Months Ended September 30, 2019

|   | <b>Web<br/>presence</b> | <b>Email<br/>marketing</b> | <b>Domain</b>   | <b>Total</b>     |
|---|-------------------------|----------------------------|-----------------|------------------|
| Revenue                                 | \$ 143,196              | \$ 102,765                 | \$ 31,232       | \$ 277,193       |
| Gross profit                            | \$ 73,592               | \$ 73,763                  | \$ 9,083        | \$ 156,438       |
| Net (loss) income                       | \$ (3,477 )             | \$ 12,546                  | \$ (1,253 )     | \$ 7,816         |
| Interest expense, net <sup>(1)</sup>    | 16,665                  | 18,599                     | 488             | 35,752           |
| Income tax expense (benefit)            | (2,499 )                | (1,795 )                   | (545 )          | (4,839 )         |
| Depreciation                            | 8,302                   | 2,114                      | 864             | 11,280           |
| Amortization of other intangible assets | 9,311                   | 11,553                     | 804             | 21,668           |
| Stock-based compensation                | 4,751                   | 3,301                      | 1,091           | 9,143            |
| Restructuring expenses                  | (37 )                   | (157 )                     | 1               | (193 )           |
| Loss of unconsolidated entities         | —                       | —                          | —               | —                |
| Impairment of other long-lived assets   | —                       | —                          | —               | —                |
| Shareholder litigation reserve          | —                       | —                          | —               | —                |
| <b>Adjusted EBITDA</b>                  | <b>\$ 33,016</b>        | <b>\$ 46,161</b>           | <b>\$ 1,450</b> | <b>\$ 80,627</b> |

#### Nine Months Ended September 30, 2018

|   | <b>Web<br/>presence</b> | <b>Email<br/>marketing</b> | <b>Domain</b>   | <b>Total</b>      |
|---|-------------------------|----------------------------|-----------------|-------------------|
| Revenue                                 | \$ 457,603              | \$ 306,712                 | \$ 98,581       | \$ 862,896        |
| Gross profit                            | \$ 225,149              | \$ 214,909                 | \$ 29,241       | \$ 469,299        |
| Net (loss) income                       | \$ (20,549 )            | \$ 22,350                  | \$ (10,037 )    | \$ (8,236 )       |
| Interest expense, net <sup>(1)</sup>    | 53,503                  | 50,866                     | 6,834           | 111,203           |
| Income tax expense (benefit)            | 960                     | 8,009                      | (143 )          | 8,826             |
| Depreciation                            | 24,769                  | 9,090                      | 2,894           | 36,753            |
| Amortization of other intangible assets | 35,812                  | 39,716                     | 2,362           | 77,890            |
| Stock-based compensation                | 12,066                  | 7,168                      | 2,698           | 21,932            |
| Restructuring expenses                  | 1,654                   | 723                        | 644             | 3,021             |
| Loss of unconsolidated entities         | 2                       | —                          | —               | 2                 |
| Impairment of other long-lived assets   | —                       | —                          | —               | —                 |
| Shareholder litigation reserve          | 4,780                   | 1,500                      | 1,045           | 7,325             |
| <b>Adjusted EBITDA</b>                  | <b>\$ 112,997</b>       | <b>\$ 139,422</b>          | <b>\$ 6,297</b> | <b>\$ 258,716</b> |

#### Nine Months Ended September 30, 2019

|                                      | <b>Web<br/>presence</b> | <b>Email<br/>marketing</b> | <b>Domain</b> | <b>Total</b> |
|--------------------------------------|-------------------------|----------------------------|---------------|--------------|
| Revenue                              | \$ 433,353              | \$ 307,984                 | \$ 94,743     | \$ 836,080   |
| Gross profit                         | \$ 219,050              | \$ 221,399                 | \$ 11,435     | \$ 451,884   |
| Net (loss) income                    | \$ (20,281 )            | \$ 22,648                  | \$ (24,267 )  | \$ (21,900 ) |
| Interest expense, net <sup>(1)</sup> | 50,853                  | 55,103                     | 3,442         | 109,398      |
| Income tax expense (benefit)         | 1,589                   | 1,102                      | 349           | 3,040        |

|   |                  |                   |                 |                   |
|---|------------------|-------------------|-----------------|-------------------|
| Depreciation                            | 24,018           | 6,667             | 2,700           | 33,385            |
| Amortization of other intangible assets | 27,600           | 34,244            | 2,293           | 64,137            |
| Stock-based compensation                | 14,686           | 9,606             | 3,221           | 27,513            |
| Restructuring expenses                  | 752              | 1,220             | 33              | 2,005             |
| Loss of unconsolidated entities         | —                | —                 | —               | —                 |
| Impairment of other long-lived assets   | —                | —                 | 17,892          | 17,892            |
| Shareholder litigation reserve          | —                | —                 | —               | —                 |
| <b>Adjusted EBITDA</b>                  | <b>\$ 99,217</b> | <b>\$ 130,590</b> | <b>\$ 5,663</b> | <b>\$ 235,470</b> |

(1) Interest expense includes impact of amortization of deferred financing costs, original issuance discounts and interest income.

#### GAAP to Non-GAAP Reconciliation of Fiscal Year 2019 Guidance (as of October 31, 2019) - Adjusted EBITDA

The following table reflects the reconciliation of fiscal year 2019 estimated net loss calculated in accordance with GAAP to fiscal year 2019 guidance for adjusted EBITDA. All figures shown are approximate.

| (\$ in millions)                                     | Twelve Months Ending<br>December 31, 2019 |                 |          |
|--|---|-----------------|----------|
| <b>Estimated net loss</b>                            | <b>\$ (37</b>                             | <b>) \$ (40</b> | <b>)</b> |
| Estimated interest expense (net)                     | 145                                       | 147             |          |
| Estimated income tax expense (benefit)               | 7   | 9               |          |
| Estimated depreciation                               | 44  | 48              |          |
| Estimated amortization of acquired intangible assets | 85  | 87              |          |
| Estimated stock-based compensation                   | 36  | 38              |          |
| Estimated restructuring expenses                     | 2   | 3               |          |
| Estimated (gain) loss of unconsolidated entities     | —   | —               |          |
| Estimated impairment of other long-lived assets      | 18  | 18              |          |
| Shareholder litigation reserve                       | —   | —               |          |
| <b>Adjusted EBITDA guidance</b>                      | <b>\$ 300</b>                             | <b>\$ 310</b>   |          |

#### GAAP to Non-GAAP Reconciliation of Fiscal Year 2019 Guidance (as of October 31, 2019) - Free Cash Flow

The following table reflects the reconciliation of fiscal year 2019 estimated cash flow from operations calculated in accordance with GAAP to fiscal year 2019 guidance for free cash flow. All figures shown are approximate.

| (\$ in millions)  | Twelve Months Ending<br>December 31, 2019 |               |   |
|---|---|---------------|---|
| <b>Estimated cash flow from operations</b>                        | <b>\$ 160</b>                             | <b>\$ 175</b> |   |
| Estimated capital expenditures and financed equipment obligations | (50                                       | ) (55         | ) |
| <b>Free cash flow guidance</b>                                    | <b>\$ 110</b>                             | <b>\$ 120</b> |   |



Source: Endurance International Group Holdings, Inc.