



The following prepared remarks are an excerpt from the 2016 First 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. These prepared remarks should be read in conjunction with Endurance's 2016 First 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 2016; the expected opportunities and benefits associated with the combination of the Endurance and Constant Contact businesses; our ability to achieve run rate cost synergies from the Constant Contact acquisition in the expected amounts or timeframes or at all; our ability to broaden training for our agents to support our products; our plans to balance spending and yields; the timing and nature of our product launch plans; our plans to invest in our business, including our flagship and growth brands, new products and other initiatives, and the expected benefits from those investments; our plans with respect to future acquisitions and investments; our ability to de-lever in the expected amounts or timeframes; our plans to increase our investment in marketing; our ability to leverage our position in technology, marketing channels and products to support longer-term growth and value creation; our ability to drive new subscribers to our platform and provide solutions to help them grow their business; our growth rate expectations for Constant Contact and Endurance; our ability to achieve our financial and operational targets; 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," "seeks," "future," "see," "strive," "envision," "estimates," "will," "should," "may," "aim," "continue," "confident," "committed," 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 fiscal 2016 guidance may differ from expectations; the possibility of any failure to realize the intended benefits of the acquisition of Constant Contact, including the inability to integrate Constant Contact's and Endurance's business and operations or to realize the anticipated synergies in the expected amount or within the anticipated time frames or cost expectations or at all; an adverse impact on our business from our substantial indebtedness and the cost of servicing our debt; an adverse impact on our business from litigation or regulatory proceedings; actual or contingent liabilities; the possibility that our costs may increase; the rate of growth of the Small and Medium Business ("SMB") market for our solutions; our inability to maintain a high level of subscriber satisfaction; our inability to continue to add new subscribers and increase sales to our existing subscribers; our inability to execute on future mergers or acquisitions, investments or other product initiatives, whether due to unavailability of targets, difficulties in obtaining debt or equity funding, regulatory constraints, or our inability to realize the expected benefits; system or Internet failures; our dependence on establishing and maintaining strong brands; our inability to maintain or improve our competitive position or market share; the loss of strategic relationships or alliances with third parties; the business risks of international operations; the loss or unavailability of any of our data centers; our recognition of revenue for

subscription based services over the term of the applicable agreement; the occurrence of security or privacy breaches; and other risks and uncertainties discussed in our filings with the SEC, including the “Risk Factors” section of our most recent Annual Report on Form 10-K for the year ended December 31, 2015 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. These prepared remarks also contain non-GAAP financial measures as defined by the Securities and Exchange Commission in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included in our 2016 First Quarter earnings release and presentation, each dated May 3, 2016, and available in the investor relations section of our website at www.endurance.com.

Angela White – VP, Investor Relations

Hi this is Angela White, VP of Investor Relations at Endurance International Group. It is my pleasure to welcome you to our first quarter 2016 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 at 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 29, 2016 for 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 present several non-GAAP financial measures, including adjusted EBITDA, free cash flow (FCF), adjusted revenue, and average revenue per subscriber (ARPS). 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 you over to Hari Ravichandran, our founder and CEO.

Hari Ravichandran – Founder and CEO

Slide 4 Thanks Angela. Good morning everyone, and welcome to our first quarter 2016 earnings call. We

are excited to report this quarter's results. Looking at our combined pro forma numbers, which assumes an entire quarter of contribution from Constant Contact, adjusted revenue came in at \$294 million, and adjusted EBITDA was approximately \$95 million, GAAP revenue was \$278 million and GAAP net income was \$28 million.

Slide 5 On a reported basis, which includes results from Constant Contact beginning the day after the closing of the acquisition, GAAP revenue was \$237.1 million. GAAP net income was \$21.8 million, and GAAP cash from operations was \$11.8 million. First quarter adjusted revenue was \$253.0 million. Excluding the contribution from Constant Contact of \$52.8 million, first quarter adjusted revenue was \$200.2 million. Adjusted EBITDA was \$87.1 million, and free cash flow was \$0.2 million. Free cash flow, excluding the impact of transaction, integration and restructuring, and legal expenses was \$41.4 million.

Slide 6 In Q1, we made gains in one of our primary priorities for fiscal 2016—the integration of Constant Contact. After close in early February, we moved quickly to implement the Constant Contact email marketing product across additional Endurance properties. We now offer email marketing in registration flow or through the control panel for additional flagship brands. We also rolled out the email marketing product to our site builder brands—subscribers collecting customer information through a contacts page can now convert their list of contacts easily into the Constant Contact tool. In the coming months, we plan to roll out email marketing to our Mojo marketplace, which is targeted at WordPress users.

Outside these touchpoints, we have initiated tailored email campaigns to targeted subscriber groups. We have also initiated training to support agents in our flagship locations in order to better support both our email marketing effort and to cross-train Constant Contact support on Endurance products and services. We expect to continue to make gains in these efforts.

Turning to costs, we continue working toward our plan of reaching approximately \$55 million in annual run rate cost synergies by the end of 2016. As we noted on the last call, we reduced headcount shortly after the transaction close and began consolidating field office locations, reducing approximately \$28 million in run rate costs, and recently implemented a planned second round of reductions. We expect most of the cost synergies to be complete by Q2, with a smaller amount continuing into Q3. In addition, we are assessing yields in various marketing channels across web presence, email marketing, and other gateway channels, and will aim to balance spend appropriately.

As we have stated before, we believe that this acquisition will bridge a gap between our website presence solutions for SMBs and marketing tools for SMBs. Our excitement continues to build as we see our vision start to deliver results and our teams continue to work diligently on integration.

Slide 7 I'd like to turn now to our other business initiatives. Starting with our growth initiatives, we are happy with our performance to date. Our site builder brands, built on the Webzai technology, are adding new subscribers at higher than the average rates for the rest of our business. The WZ UK site builder business is now consolidated in our financials, and we are pleased with the results and the gains we have made operationally.

We continued the launch of our mobile site builder, Impress.ly, across brands and regions. During the quarter, we launched in Brazil and started testing into India, regions where our ‘mobile-first’ strategy is strongest. In Brazil, we launched the Impress.ly brand separate of the existing Hostgator and Bluehost brands. In India, we recently began testing the Impress.ly product on our BigRock brand and expect to be in full marketing in Q2. We are very pleased with the combined Endurance-AppMachine product team driving the mobile builder and its ability to innovate at a fast pace.

As we said on the last call, in 2016 we will be investing in marketing to drive our growth products and initiatives. Our framework for the incremental spend considered some essential elements. First, as products are initially launched, subscriber acquisition costs (SAC) are higher than they are at scale. Second, we are entering into products with subscriber profiles that are different from our traditional hosting subscribers—some of these products carry lower than average ARPS, or may initially have higher churn profiles. Even within this framework, we continue to emphasize the balance between SAC and lifetime cash flows across our portfolio. This disciplined view continues to support our investment thesis for these initiatives as we continue to strive to ensure robust marketing yields.

Turning now to our flagship brands, during the quarter we continued to see steady performance. Here too, we continue to balance the cost of adding subscribers relative to lifetime cash flows, and are seeing stable SACs in our flagship brands. Operationally, during the quarter we rolled out initiatives across our support teams to improve opportunities for cross sell and subscriber retention programs.

Finally, I’d like to turn to M&A and other investments. As we focus on the Constant Contact related integration, we expect not to pursue M&A opportunities at the same pace as we have in the past. The M&A that we do consider will generally be less focused on the hosting space, and more focused in the product and technology space. We also continue to assess opportunities for investment. Subsequent to quarter end, we made an initial investment of \$5 million in exchange for 33% ownership in Fortifico Limited, which operates Fortifi. Fortifi is a billing, sales support, and affiliate tracking systems provider. We currently use its affiliate tracking system to support our growth brands, including the site builder brands. We are currently testing some of the other Fortifi modules across our brands.

Slide 8 We are very pleased with our Q1 results. In the near term, our primary focus remains on the integration of Constant Contact and ramp-up of our growth brands. We continue to believe in the opportunity that scale will provide us long-term. As such, we plan to invest in our large and growing subscriber base, a differentiated marketing strategy, strong subscriber relationships, and innovative products and services. We have set healthy targets for the year, and to the extent possible, will re-invest any upside back into the business.

Over the last 19 years, we have focused primarily on website presence solutions, and have also served as a distribution point for adjacent products and services. With the acquisition of Constant Contact, and as we continue to build out our gateways and product portfolio, we see a mix shift—less than half our revenue mix now comes from traditional hosting products. We can also envision a future in which we serve SMBs through a seamless experience, enabled by a common platform, irrespective of the product or service through which they come to us. All of our current solutions provide strong building blocks to execute this

broader vision. We are motivated to build to this long term vision of empowering and enabling SMBs.

With that, I will turn the call over to Marc Montagner, our chief financial officer.

Marc Montagner, Chief Financial Officer

Slide 10 Thank you Hari. We are very pleased with our Q1 fiscal 2016 results. Looking at the first quarter on a combined pro forma basis, which assumes contribution from the Constant Contact business for the entire quarter:

- adjusted revenue was \$293.6 million, a 9% increase from Q1 2015
- adjusted EBITDA was \$94.7 million, a 12% increase over Q1 2015

Slide 11 On slide 11, you can see our Q1 2016 results, which include the contribution from Constant Contact since February 10, 2016, the day after the close:

- GAAP revenue was \$237.1 million;
- excluding the impact of Constant Contact, which contributed GAAP revenue of \$39.1 million, GAAP revenue grew 12% year over year;
- adjusted revenue was \$253.0 million;
- excluding the impact of Constant Contact, which contributed adjusted revenue of \$52.8 million, adjusted revenue was \$200.2 million, reflecting year over year growth of 12%;
- adjusted EBITDA was \$87.1 million, reflecting year over year growth of 29%;
- capital expenditures and capitalized leases were \$11.6 million, or 4.6% of adjusted revenue;
- Free cash flow, defined as cash flow from operations, less cap ex and capitalized leases, was \$0.2 million. Free cash flow in the first quarter was impacted by higher interest expenses, transaction, integration and restructuring, and legal expenses. Adjusted free cash flow was \$41.4 million, and excludes approximately \$41.2 million of expenses, the bulk of which were related to the acquisition of Constant Contact. The breakdown of this \$41.2 million is as follows:
 - \$18.2 million in Constant Contact options acceleration expenses and payroll taxes
 - \$17.2 million in transaction-related legal and financial advisors fees
 - \$4.8 million in severance and restructuring expenses
 - \$1.0 million in legal advisory expenses

Slide 12 On slide 12 you can see that our total subscriber number increased by 777,000 subscribers from Q4 2015 to Q1 2016. Subscribers on our existing platform increased by approximately 126,000. In addition we added approximately 85,000 subscribers from the consolidation of WZ UK, our website builder provider. Finally approximately 566,000 subscribers came from the acquisition of Constant Contact. The Constant Contact subscriber number is calculated using Endurance's definition of subscriber. This resulted in a subscriber count that is approximately 70,000 lower than it would have been using the Constant Contact definition.

On a closing date basis, which assumes only a partial quarter of contribution from Constant Contact,

average revenue per subscriber (ARPS) for Q1 was \$16.44. If the Constant Contact transaction had closed on January 1, 2016, ARPS would have been higher. In Q1, we saw an increase in reported ARPS relative to last quarter and year over year due to the impact of Constant Contact, both from Constant Contact's relatively higher ARPS and the impact of the lower subscriber count at Constant Contact. If we were to exclude the impact of Constant Contact, ARPS was \$13.87, reflecting a year over year decline of 3%.

As you can see on the chart on the right side of slide 12, our revenue mix has changed significantly over the last 12 months. On a combined pro forma basis, hosting services and add-ons such as security, mobile optimization, and e-commerce integration now represent approximately 47% of our revenue. Email marketing accounts for approximately 32%, domain registrations approximately 14%, and the remainder of the business, such as domain monetization and co-marketing funds, accounts for approximately 7%. In Q1 of 2016, monthly recurring revenue retention rate, or "MRR," for major Endurance brands was 99%. Given the material contribution of Constant Contact to our business and the new mix of subscribers, we will no longer report MRR going forward.

Slide 13 Now that we have reviewed our financial and operating metrics, let's turn to guidance for 2016. As a reminder, given the timing of the close of the acquisition of Constant Contact on February 9, 2016, our 2016 results will not include a full year contribution from Constant Contact. We are therefore presenting our guidance for full year 2016 on a combined pro forma basis, as if the Constant Contact acquisition had closed on January 1, 2016, as well as on a closing date basis, with Constant Contact results included since February 10, 2016, the day after the closing. This guidance does not assume incremental M&A.

For full year 2016, we continue to expect:

- Adjusted revenue, on a combined pro forma basis, of approximately \$1,225 million;
- adjusted revenue, on a closing date basis, of approximately \$1,175 million;
- adjusted EBITDA, on a combined pro forma basis, of approximately \$405 million;
- adjusted EBITDA, on a closing date basis, of approximately \$400 million, and
- capex of approximately \$60 million.
- During 2016, our transaction, integration and restructuring, and legal expenses, most of which are related to acquiring Constant Contact, and most of which occurred in Q1, will impact free cash flow. Excluding these expenses, for the full year, we continue to expect free cash flow of \$180 million to \$190 million. Including the impact of these expenses, we expect free cash flow, defined as cash flow from operations, less capex and capitalized leases, of \$140 million to \$150 million.

Slide 14 In Q1 2016, we financed the Constant Contact transaction through an incremental \$1,085 million in debt—\$735 million in an incremental seven-year term loan at a rate of L+500, and \$350 million in 10 and 7/8 percent unsecured notes. We also paid down our revolver and replaced it with a new five-year maturity \$165 million revolver which is undrawn at this time. We finished Q1 2016 with approximately \$83 million of cash on the balance sheet.

During the quarter, we lowered our debt by \$8.9 million through debt amortization. Subsequent to quarter end, we also made an additional \$16 million prepayment toward our \$1.021 billion existing term

loan in Q2. At the end of the quarter, our long-term debt balance was \$2.102 billion. This does not include \$52 million of deferred consideration, a majority of which we intend to pay down in H2 2016. We are still committed to bringing our leverage to below four turns by the end of 2017.

Slide 15 In conclusion, we are very pleased at the progress we have made so far with integration of Constant Contact, our growth initiatives, and the steady performance of our flagship business. We continue to feel confident about fiscal 2016 as we balance near and long term goals. Now, I'd like to turn to the call back to the operator to begin Q&A.