ENDURANCE
International Group

The following prepared remarks are an excerpt from the First Quarter 2020 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 First Quarter 2020 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: the potential impact of the COVID-19 pandemic on our business; our intention to continue executing our 2020 operating plan and deliver increased value to customers; the anticipated impact of the CARES Act on us; 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 expectation that our continued investment in engineering, products and services will drive improved experiences and value for our customers; our plans to expand the solutions we offer to our customers; our intention to continue our efforts to simplify our 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 the impact of the COVID-19 pandemic on the economy and our business will be different from or more extensive than we expect; the possibility that our 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 or the impact of COVID-19 on that market; our inability to 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, 2019 filed with the SEC on February 14, 2020 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 2020 first quarter earnings release and/or presentation, each dated April 30, 2020, and available in the investor relations section of our website at www.endurance.com.

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Angela White, VP, Investor Relations

Good morning. It is my pleasure to welcome you to our first quarter 2020 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 14, 2020 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. I am pleased with the results we delivered and the continued progress we made in the first quarter. Obviously, no one anticipated the impact COVID-19 is having globally on all aspects of people's lives, livelihoods, and business operations.

Since the pandemic accelerated in early March, we have operated with three guiding principles to help our organization remain focused and productive in this complex business environment. The first principle is to focus on the safety of our employees and their family members as our top priority. By the third week of March, we had all of our teams in a work from home model and I could not be more proud of the way the team executed this unplanned move with minimal disruption to our business and our customers.

Second, we are fortunate to hold a position as a scale provider of digital marketing and web presence solutions in a large and growing market. We continue to see secular demand for our services and will continue to invest in delivering competitively priced solutions that help our customers achieve their objectives.

Finally, we have a valuable set of assets and provide services to approximately 5 million customers. We have made considerable progress executing our strategy to invest in our market-leading strategic brands, to simplify our operational complexity and to integrate our teams as we drive scale. We remain focused on investing to grow both of our scale business segments.

Through April, our execution has remained consistent with our 2020 growth plan. However, we know that it is too early to predict the extent of the pandemic's effect on our business for the remainder of the year. As such, we believe it's prudent to suspend our previously provided guidance for 2020 as we focus on delivering value to our customers and executing our plan. Marc will discuss this in more detail in his section.

Slide 6 Turning now to slide six. Our GAAP revenue in the first quarter was $272.2 million. Revenue in our digital marketing segment reflected year over year growth when adjusting for the December 2019 sale of SinglePlatform. Our web presence segment continued to make progress toward revenue inflection by delivering another quarter of net unit growth. We ended the quarter with 4.780 million subscribers on platform, which marks our third consecutive quarter of net subscriber growth when adjusting for the sale of SinglePlatform, adding 14,000 net new subs.

Adjusted EBITDA was $72.5 million which is down from $76.9 million in Q1 of 2019, adjusted for the sale of SinglePlatform. Year over year we increased investment in our product, engineering and development teams resulting in a $3 million cost increase and we are pleased with the progress we made on our strategic brands.

Year to date, we repurchased approximately 8.7 million shares for a total of $14.4 million, at an average price per share of $1.66. Our Board authorization remains in place with remaining capacity of $25.5 million.

Slide 7 Before turning to our segment details, it's important to note the progress we have made operationalizing our two scale strategic platforms. As a reminder, we changed our reporting to reflect our simplified organization and the teams in both businesses executed their plans in the first quarter.

Turning now to slide 8.

Slide 8 In our digital marketing segment, we continue to make progress transforming Constant Contact from an email marketing point solution into a digital marketing brand with significantly expanded solutions. During the quarter we increased revenue year over year by $2.2 million and are pleased with the net subscriber growth we delivered. Operationally, our sales, support, marketing and engineering teams executed very effectively with increasing focus on customer success. During the quarter we made progress enhancing our core email platform, integrating our recently acquired Ecomdash business, and enhancing our website builder, logo, and ecommerce capabilities under the Constant Contact brand.

In addition, in response to COVID-19 we launched the Constant Contact Small Business Support Kit, which provides action plans and guidance by industry to SMB customers looking for helpful resources as they navigate this crisis. We are pleased with the team's effort in launching this dedicated site which is part of our long-term strategy to deliver capabilities that complement our high value email marketing solution.

<u>Slide 9</u> Turning now to our web presence segment. Our results reflect continued revenue stabilization and our third consecutive quarter of positive net subscriber growth. The team delivered these results by successfully executing our growth plan on our strategic brands complemented by excellent work by our teams in Latin America, India and Holland. As a scale web presence solution provider, we add over a million new customers on an annual basis. Our 2020 plan remains unchanged and is focused on expanding our addressable market through investment in solutions that complement our core hosting and domain products.

In Q1 our web presence teams did an excellent job pivoting quickly to address COVID-related challenges. Our global support centers continued to serve customers 24/7, despite the complexities of moving agents to work from home status. From a marketing perspective, we also launched portals across key brands aimed at providing toolkits to help customers navigate through this disruptive period.

<u>Slide 10</u> In Q1 we continued to make progress positioning our strategic brands for long-term growth as we navigated challenges introduced by the COVID-19 pandemic. We are pleased with the execution by our brand and platform teams and are investing to grow our business by delivering increased value to customers.

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

Marc Montagner, Chief Financial Officer

<u>Slide 11</u> Thank you Jeff.

<u>Slide 12</u> I'm pleased to review our first quarter 2020 results. On a reported basis:

- GAAP revenue was $272.2 million
- Adjusted EBITDA was $72.5 million
- Free cash flow, defined as cash flow from operations, less capital expenditures and financed equipment, was $23.7 million.

Note that in the same period a year ago, revenue and adjusted EBITDA contribution from SinglePlatform was $7.0 million and $1.6 million, respectively. The sale of SinglePlatform occurred in December 2019. Normalizing for these numbers, revenue in the same period a year ago would have been $273.7 million and adjusted EBITDA $76.9 million.

Our year over year decline in adjusted EBITDA was due mostly to increased levels of investment in engineering and increased sales and marketing expenses. This was primarily offset by benefits from lower support costs.

GAAP cash flow from operations in Q1 was $34.9 million. Capex was $11.2 million, and free cash flow was $23.7 million. The year over year increases in cash flow from operations and free cash flow were mostly impacted by timing of payroll in Q1 2019, a one-time funding of a securities class action settlement in the same period, and lower bonus payments in Q1 2020. Additionally, in Q1 of 2020, change in deferred revenue increased year over year by $2.6 million due to higher cash collections.

Slide 13 We finished the first quarter of 2020 with 4.780 million subscribers. Net subscriber additions for the first quarter were approximately 14.0K. We are very pleased to see another quarter of positive subscriber additions. In the first quarter of 2020, combined average revenue per subscriber (ARPS) was $19.01. ARPS in the web presence segment was $13.50. In digital marketing, ARPS was $69.50.

Slide 14 We ended Q1 2020 with $1.713 billion in total senior debt. Including other deferred purchase obligations and capital leases of $9 million, and total cash on the balance sheet of $114 million, total net debt at the end of the period was $1.608 billion. During the first quarter we paid down approximately $8 million of the principal on our term loan debt.

Our LTM bank adjusted EBITDA for the period ending March 31, 2020 was $310.9 million. Our senior debt leverage ratio was 4.06x and remains well below our maximum senior secured leverage ratio of 6.0x.

Slide 15 As Jeff noted in his section, we are suspending our guidance for 2020. We are still focused on executing our original plan, but given the nature of our business, it is still too early to assess the impact of this pandemic on our customer base of approximately 5 million subscribers. As of today, demand for our products and services is consistent with our 2020 growth plan, but we are closely monitoring the effectiveness of program marketing spend and watching our churn rates. We are also taking a prudent financial approach and are paying close attention to our expenses.

The new CARES Act will have a positive impact on our free cash flow in 2020. We will be able to defer to 2021 and 2022 approximately $10 million of FICA taxes. In addition, we will benefit from a temporary increase in federal tax deductions from our cash interest payments for 2019 and 2020. This will reduce our federal taxes by approximately $5 million in 2020, and also increase our NOL balance at the end of 2019 by approximately $50 million.

Year to date, we repurchased 8,708,720 shares for a total of $14.4 million, at an average price per share of $1.66. The bulk of these purchases occurred in the first quarter. We also repurchased $3 million of our high yield notes at an average discount of approximately five percent in the first quarter.

We ended the quarter with $114 million in cash on the balance sheet and are managing our uses of cash prudently given the unknowns. We also have access to a $165 million revolving credit facility which is undrawn. We do not face any significant debt maturity in the near term. We feel very comfortable with our liquidity position at this time.

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 16 Thanks Marc. I am proud of the work the team is doing and we are pleased with our year to date results. The team is operating at scale with focus on customer value and enhancing our ability to serve more customers more effectively on a daily basis. Despite the global uncertainty, we will continue to execute our plan to grow our business by investing in sales, marketing, product and engineering on our valuable strategic brands.

We look forward to our next update, and in the meantime, stay healthy. Thank you for joining us this morning. Now I'll turn the call back to the operator to begin Q&A.