

# Welcome to Web.com's Quarterly Earnings Call

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# 3Q 2016 Financial Results

November 3, 2016

web.com®

# Forward-Looking Statements

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This presentation includes "forward-looking statements" including, without limitation, statements regarding the size of the market opportunity for Web.com's products, including Yodle solutions, to small businesses, and whether such products can generate improved revenue growth and profitability for Web.com, statements regarding the expected benefits to be obtained from the acquisition of Yodle, and statements regarding whether Web.com's products, including Yodle solutions, are a unique value proposition, and other statements regarding Web.com's plans, expectations and intentions, that are subject to risks, uncertainties and other factors that could cause actual results or outcomes to differ materially from those contemplated by the forward-looking statements. These statements are sometimes identified by words such as "expect," "believe," "opportunities," "guidance," or words of similar meaning. As a result of the ultimate outcome of such risks and uncertainties, Web.com's actual results could differ materially from those anticipated in these forward-looking statements. These statements are based on Web.com's current beliefs or expectations, and there are a number of important factors that could cause the actual results or outcomes to differ materially from those indicated by these forward-looking statements, including, without limitation: the risk that Web.com's expectations as to demand for its products may not be accurate; consumers may not perceive the value of Web.com's products to be the same as Web.com does; Web.com may not realize the benefits it expects from the acquisition of Yodle; and other risks that may impact Web.com's business. Other risk factors are set forth under the caption, "Risk Factors," in Web.com's Annual Report on Form 10-K for the year ended December 31, 2015 and on Form 10-Q for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission, which are available on a website maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). Web.com expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein as a result of new information, future events or otherwise.

## Non-GAAP Measures

Some of the measures in this presentation, including adjusted EBITDA, are non-GAAP financial measures within the meaning of the SEC Regulation G. Web.com believes presenting non-GAAP financial measures is useful to investors, because they describe the operating performance of the company, in ways that management views, or uses to assess, the performance of the company. Company management uses these non-GAAP measures as important indicators of the company's past performance and in planning and forecasting performance in future periods. The non-GAAP financial information Web.com presents may not be comparable to similarly-titled financial measures used by other companies, and investors should not consider non-GAAP financial measures in isolation from, or in substitution for, financial information presented in compliance with GAAP. You are encouraged to review the reconciliation of non-GAAP financial measures to GAAP financial measures included in this presentation and in Web.com's press release on November 3, 2016, and filings it makes with the Securities and Exchange Commission, which are available at [www.sec.gov](http://www.sec.gov) as well as in this presentation.

# Agenda

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- **Corporate Overview**
  - Business Highlights
  - Quarterly Financial Summary
  - Operating Highlights
- **Financial Review**
  - 3Q 2016 Financial Performance
  - 4Q & Full-Year 2016 Financial Guidance
- **Q&A**



**David Brown**  
*CEO & Chairman*



**Kevin Carney**  
*CFO*

# 3Q 2016 Business Highlights

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## Yodle Integration Underway

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**\$23 million debt pay down**

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**Repurchased \$0.6 million (\$79 million since authorization<sup>1</sup>)  
of stock as part of \$100 million buyback authorization**

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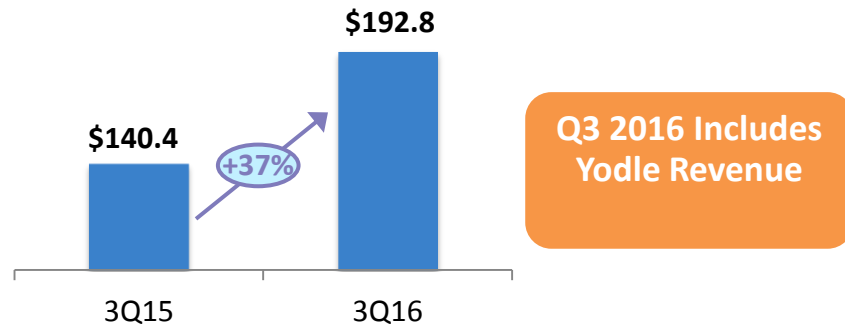
**Stock Repurchase Program increased by \$100 million  
and extended through 2018**

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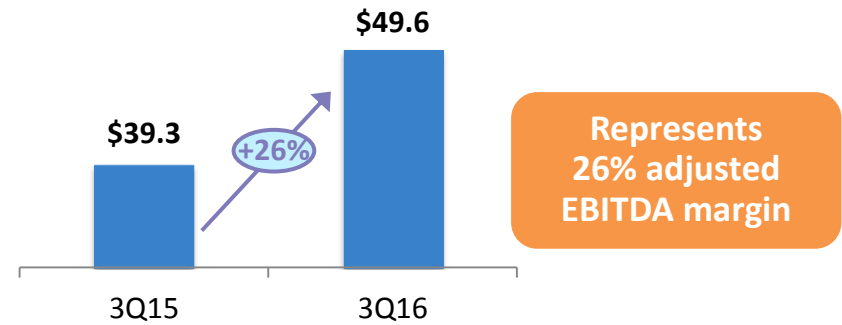
1. As of November 2, 2016

# 3Q 2016 Financial Highlights

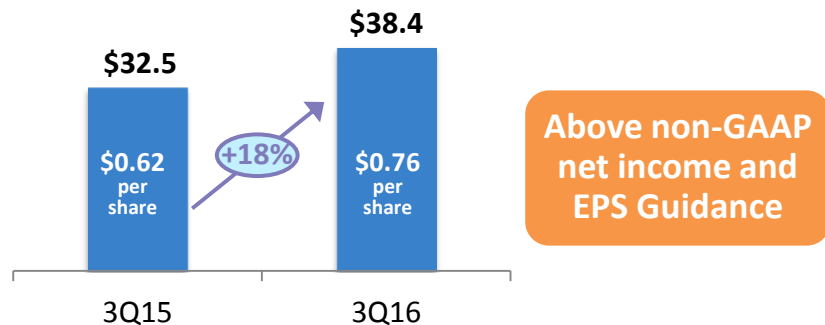
## Non-GAAP Revenue (\$mm)



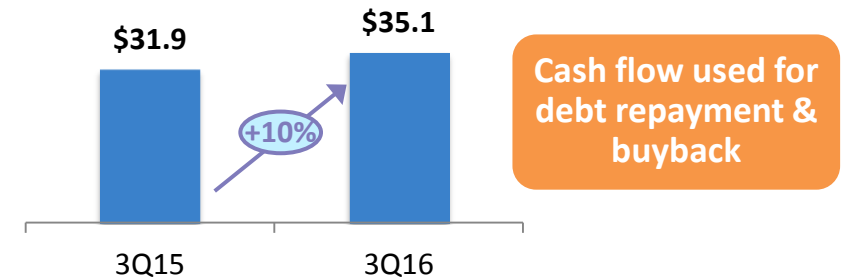
## Adjusted EBITDA (\$mm)



## Non-GAAP Net Income (\$mm)



## Free Cash Flow (\$mm)



# 3Q 2016 Operating Highlights

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Note: Customer retention rate is a trailing twelve month retention metric calculated as subscribers at the end of the period less acquired subscribers divided by the sum of subscribers at the beginning of the period and the new subscribers added during the last twelve months.

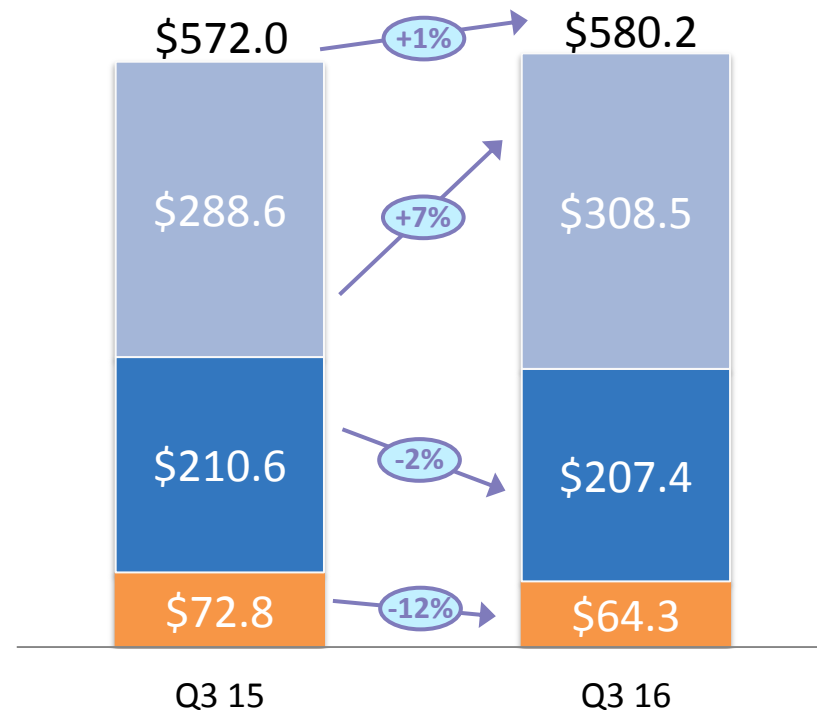
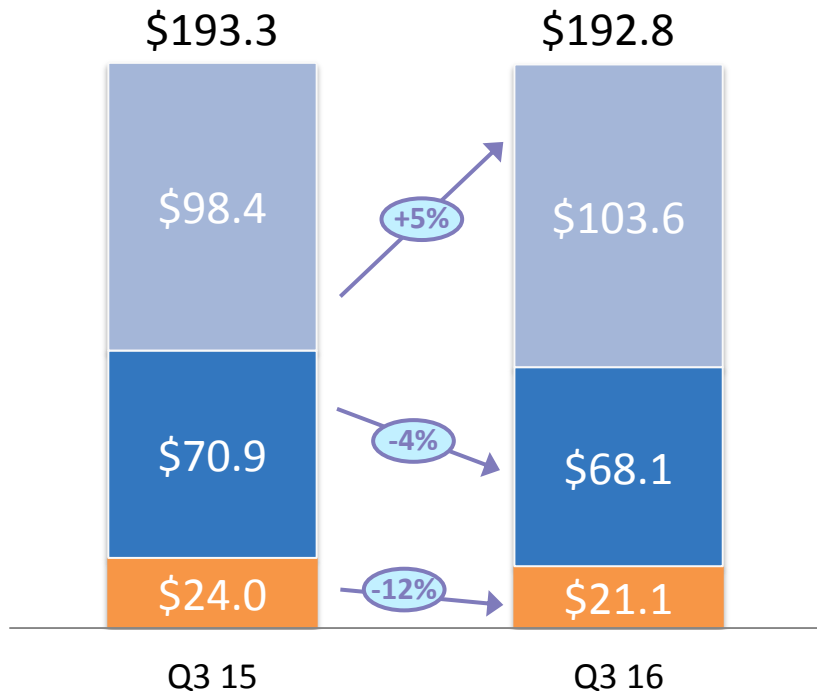
# Pro-Forma Non-GAAP Revenue By Product Groupings (\$mm)

## Third Quarter

## Third Quarter Year to Date

DIY Domains VAS

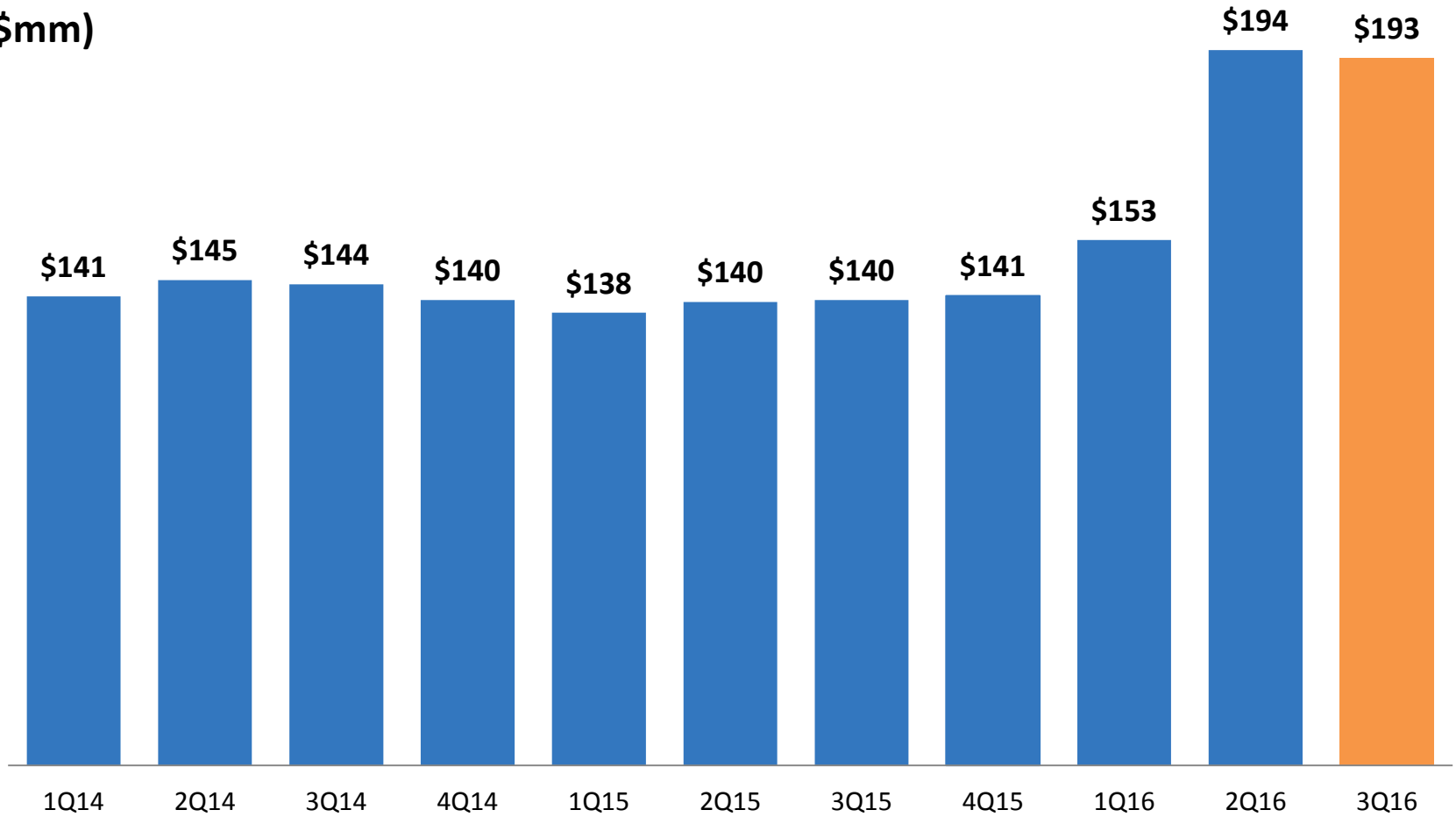
DIY Domains VAS



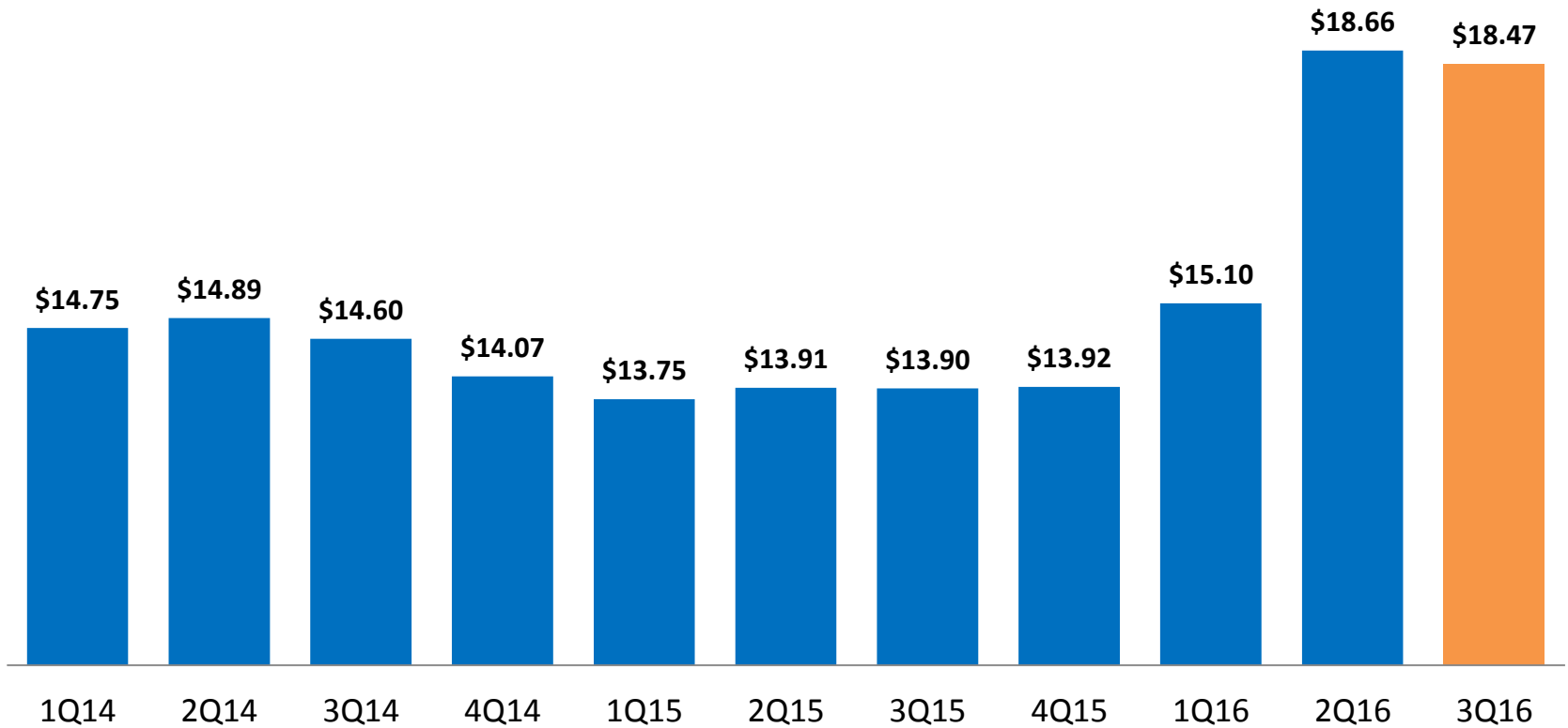


# Non-GAAP Revenue

(\$mm)



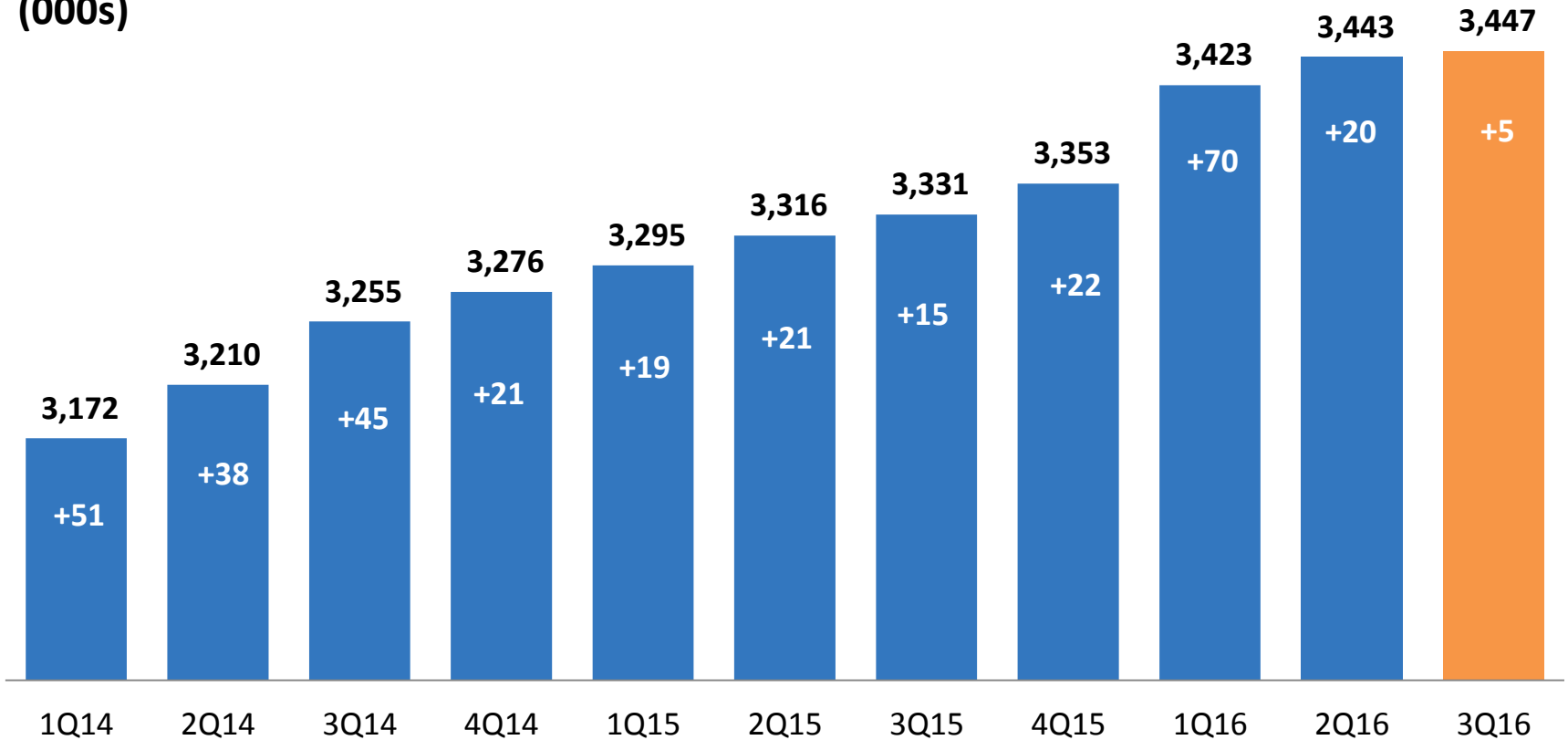
# ARPU



Note: ARPU is calculated as Non-GAAP subscription revenue divided by the average number of subscribers for the period divided into a monthly average. 1Q16 ARPU Includes 23 days of Yodle activity in the quarter. Yodle acquisition closed on March 9, 2016.

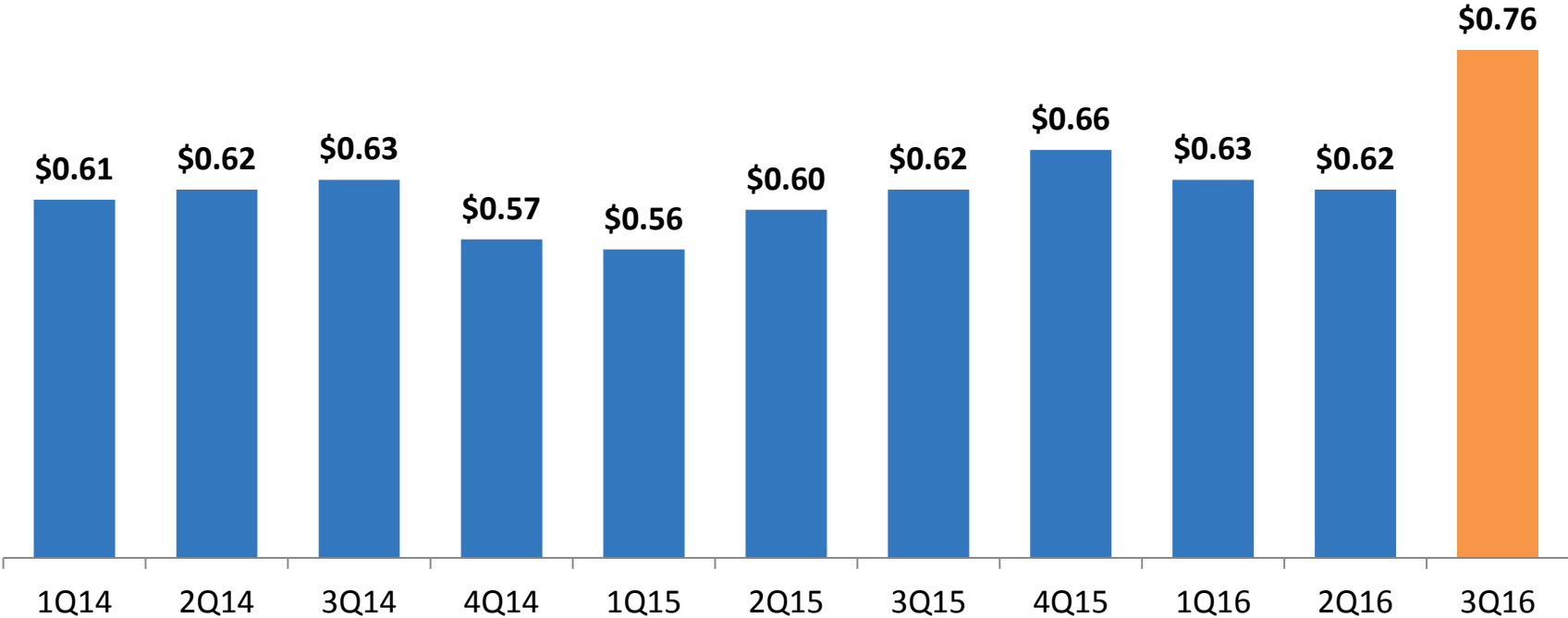
# Net Subscriber Growth

(000s)

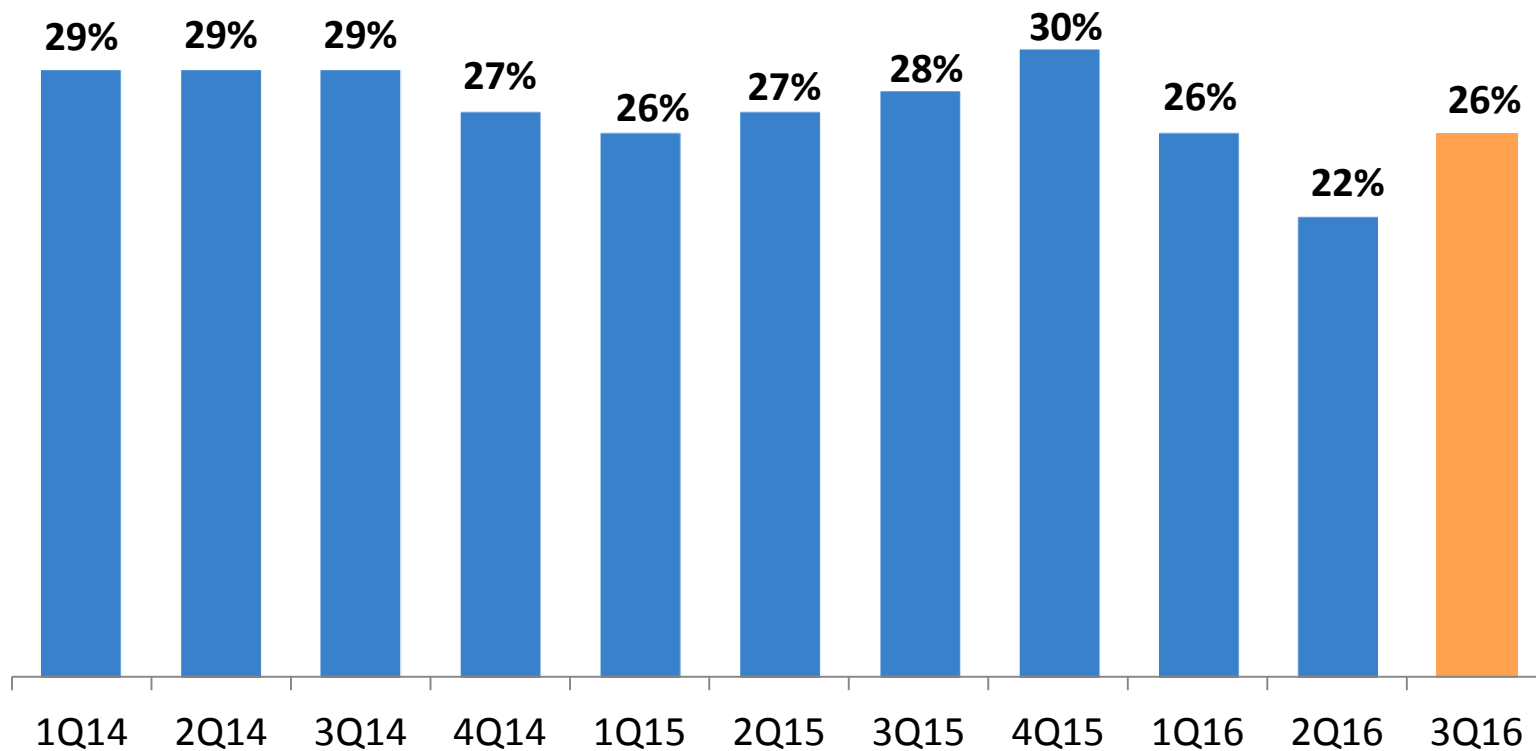


Note: 3Q14 net subscriber adds includes approximately 11,000 customers acquired as part of the Scoot acquisition. 1Q16 net subscriber adds includes approximately 53,000 customers acquired as part of the Yodle acquisition.

# Non-GAAP EPS



# Adjusted EBITDA Margin



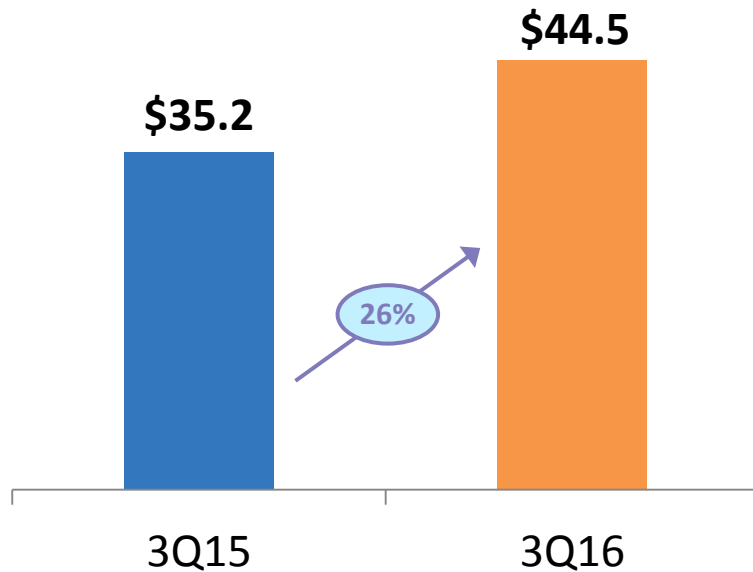
## 3Q 2016 GAAP Results

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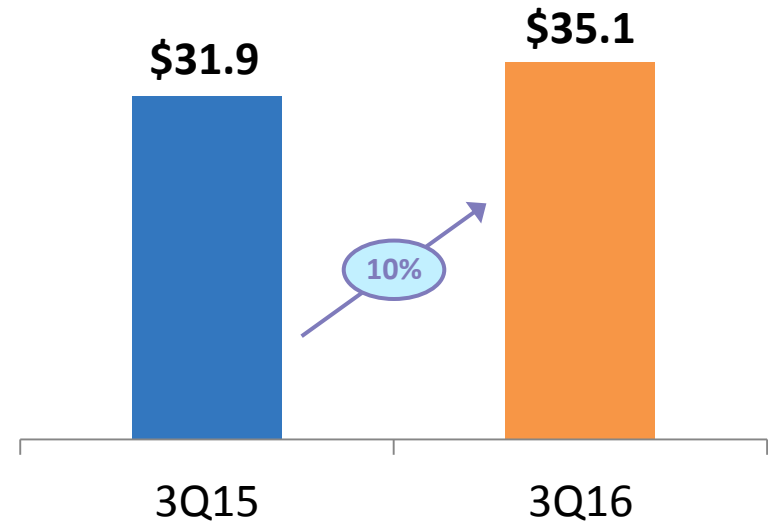
<b>Revenue</b>	<b>\$190.7 mm</b>
<b>Gross Profit</b>	<b>\$132.3 mm</b>
<b>Income from Operations</b>	<b>\$18.1 mm</b>
<b>Net Income</b>	<b>\$3.3 mm</b>
<b>Diluted Net Income Per Share</b>	<b>\$0.07</b>

# Cash Flow Generation

Cash from Operations (\$mm)



Free Cash Flow (\$mm)



# Web.com Summary Balance Sheet

(\$mm)

	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16
Cash	\$18.4	\$18.7	\$12.0	\$9.0	\$21.8
Accounts Receivable, net	\$13.2	\$12.9	\$19.0	\$19.4	\$20.1
Deferred Expenses	\$110.9	\$109.5	\$112.5	\$112.1	\$110.5
Debt (current & long-term)					
Term Loan	\$195.0	\$192.5	\$390.0	\$387.6	\$385.1
Revolver	\$30.2	\$5.0	\$110.0	\$92.4	\$71.9
Convertible Debt	\$258.8	\$258.8	\$258.8	\$258.8	\$258.8
Total Debt (Gross)	\$484.0	\$456.3	\$758.8	\$738.8	\$715.8
Less: Debt Discount (OID)	(\$35.9)	(\$33.7)	(\$36.4)	(\$33.2)	(\$29.9)
Total Debt (Net)	\$448.1	\$422.6	\$722.4	\$705.6	\$685.8
Deferred Revenue	\$411.9	\$410.6	\$433.1	\$434.8	\$432.1
Stockholders' Equity	\$165.2	\$238.2	\$231.6	\$229.3	\$238.5





# Appendix

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, unaudited)

Reconciliation of GAAP revenue to non-GAAP revenue and non-GAAP subscription revenue used in ARPU											
	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
GAAP revenue	\$ 133,843	\$ 138,176	\$ 137,407	\$ 134,511	\$ 132,600	\$ 135,719	\$ 136,821	\$ 138,320	\$ 144,798	\$ 187,818	\$ 190,686
Fair value adjustment to deferred revenue	7,391	6,492	6,425	5,855	5,093	4,252	3,547	3,017	8,558	6,038	2,108
Non-GAAP revenue	<u>\$ 141,234</u>	<u>\$ 144,668</u>	<u>\$ 143,832</u>	<u>\$ 140,366</u>	<u>\$ 137,693</u>	<u>\$ 139,971</u>	<u>\$ 140,368</u>	<u>\$ 141,337</u>	<u>\$ 153,356</u>	<u>\$ 193,856</u>	<u>\$ 192,794</u>
Professional services and other revenue	\$ (2,059)	\$ (2,132)	\$ (2,282)	\$ (2,510)	\$ (2,139)	\$ (2,034)	\$ (1,801)	\$ (1,780)	\$ (1,606)	\$ (1,697)	\$ (1,915)
Non-GAAP subscription revenue used in ARPU	<u>\$ 139,175</u>	<u>\$ 142,536</u>	<u>\$ 141,550</u>	<u>\$ 137,856</u>	<u>\$ 135,554</u>	<u>\$ 137,937</u>	<u>\$ 138,567</u>	<u>\$ 139,557</u>	<u>\$ 151,750</u>	<u>\$ 192,159</u>	<u>\$ 190,879</u>
Average Subscribers during period	3,145	3,191	3,232	3,266	3,286	3,305	3,323	3,342	3,350	3,433	3,445
ARPU	<u>\$ 14.75</u>	<u>\$ 14.89</u>	<u>\$ 14.60</u>	<u>\$ 14.07</u>	<u>\$ 13.75</u>	<u>\$ 13.91</u>	<u>\$ 13.90</u>	<u>\$ 13.92</u>	<u>\$ 15.10</u>	<u>\$ 18.66</u>	<u>\$ 18.47</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands except per share amounts, unaudited)

Reconciliation of GAAP diluted net income (loss) per share to non-GAAP diluted net income per share	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
Diluted shares:											
Basic weighted average common shares	50,334	50,809	51,234	51,295	50,872	50,362	50,035	49,716	49,376	49,293	49,221
Diluted stock options	3,546	3,250	2,166	1,623	1,354	1,800	1,907	1,886	1,404	1,383	1,281
Diluted restricted stock	703	507	381	342	266	273	370	469	326	210	269
Diluted performance shares	-	-	-	-	-	-	-	78	-	-	-
Total diluted weighted average common shares	54,583	54,566	53,781	53,260	52,492	52,435	52,312	52,149	51,106	50,886	50,771
Diluted GAAP net income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.07)	\$ (0.17)	\$ 0.04	\$ 0.09	\$ 0.12	\$ 1.48	\$ 0.01	\$ (0.03)	\$ 0.07
Diluted equity	-	0.01	0.01	0.01	-	-	-	-	-	-	-
Amortization of intangibles	0.29	0.30	0.31	0.23	0.19	0.19	0.18	0.19	0.22	0.32	0.31
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-	-
Asset impairment	-	-	-	0.04	-	-	-	-	-	-	0.04
Stock based compensation	0.08	0.09	0.10	0.09	0.10	0.10	0.10	0.09	0.09	0.11	0.10
Income tax expense	0.03	0.07	0.08	0.22	0.07	0.10	0.11	(1.20)	0.02	0.01	0.13
Restructuring expense	-	-	-	-	0.01	-	-	-	-	0.02	0.02
Corporate development	-	-	0.01	-	0.01	-	-	-	0.07	0.01	-
Amortization of debt discounts and fees	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07
Cash income tax expense	-	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)
Fair value adjustment to deferred revenue	0.14	0.12	0.12	0.11	0.10	0.08	0.07	0.06	0.17	0.12	0.04
Fair value adjustment to deferred expense	0.01	-	-	-	-	-	-	-	-	-	-
Loss on debt extinguishment	-	-	0.03	-	-	-	-	-	-	-	-
Gain on sale of equity method investment	-	-	-	-	-	-	-	-	-	-	-
Diluted Non-GAAP net income per share	\$ 0.61	\$ 0.62	\$ 0.63	\$ 0.57	\$ 0.56	\$ 0.60	\$ 0.62	\$ 0.66	\$ 0.63	\$ 0.62	\$ 0.76

# Reconciliation of GAAP to Non-GAAP Results

(in thousands except percentages, unaudited)

Reconciliation of GAAP net (loss) income to adjusted EBITDA	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
GAAP net (loss) income	\$ 490	\$ (794)	\$ (3,419)	\$ (8,734)	\$ 2,339	\$ 4,550	\$ 6,094	\$ 76,977	\$ 337	\$ (1,606)	\$ 3,346
Depreciation and amortization	19,239	19,793	20,349	15,398	13,744	13,849	13,846	14,906	15,913	22,273	21,165
Asset impairment	-	-	-	2,040	-	-	-	-	-	-	1,979
Stock based compensation	4,504	4,939	5,085	5,040	5,047	5,137	5,067	4,813	4,808	5,392	5,008
Restructuring expense	-	-	-	166	313	22	-	224	136	778	1,133
Corporate development	40	-	459	-	597	-	-	2	3,340	529	57
Fair value adjustment to deferred revenue	7,391	6,492	6,425	5,855	5,093	4,252	3,547	3,017	8,558	6,038	2,108
Fair value adjustment to deferred expense	301	269	242	215	191	167	147	128	58	94	80
Interest expense, net	7,492	7,299	6,592	5,355	5,249	5,182	4,966	4,616	5,598	8,662	8,270
Income tax expense (benefit)	1,563	3,847	4,250	11,885	3,561	5,203	5,673	(62,697)	977	522	6,477
Loss from debt extinguishment	-	-	1,838	-	-	-	-	-	-	-	-
Adjusted EBITDA	\$ 41,020	\$ 41,845	\$ 41,821	\$ 37,220	\$ 36,134	\$ 38,362	\$ 39,340	\$ 41,986	\$ 39,725	\$ 42,682	\$ 49,623

Reconciliation of GAAP net (loss) income margin to adjusted EBITDA margin	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16
GAAP net (loss) income margin	-%	-%	-2%	-6%	2%	3%	4%	56%	0%	-1%	2%
Depreciation and amortization	13	14	14	12	10	9	9	11	10	12	10
Asset impairment	-	-	-	1	-	-	-	-	-	-	1
Stock based compensation	3	3	4	4	4	4	4	3	3	3	3
Restructuring expense	-	-	-	-	-	-	-	-	-	-	1
Corporate development	-	-	-	-	-	-	-	-	2	-	-
Fair value adjustment to deferred revenue	6	5	4	4	4	3	3	2	6	3	1
Fair value adjustment to deferred expense	-	-	-	-	-	-	-	-	-	-	-
Interest expense, net	6	5	5	4	4	4	4	3	5	5	5
Income tax expense	1	2	3	8	2	4	4	(45)	-	-	3
Loss from debt extinguishment	-	-	1	-	-	-	-	-	-	-	-
Adjusted EBITDA margin	29%	29%	29%	27%	26%	27%	28%	30%	26%	22%	26%

# Reconciliation of GAAP to Non-GAAP Results

(in thousands except percentages, unaudited)

Reconciliation of GAAP gross profit to non-GAAP gross profit	Three months ended September 30,	
	2016	2015
Gross Profit	\$ 132,306	\$ 91,409
Fair value adjustment to deferred revenue	2,108	3,547
Fair value adjustment to deferred cost	80	147
Stock based compensation	270	467
Non-GAAP gross profit	\$ 134,764	\$ 95,570
Non-GAAP gross margin	70%	68%

# Reconciliation of GAAP to Non-GAAP Results

(in thousands except percentages, unaudited)

Reconciliation of GAAP operating income to non-GAAP operating income	Three months ended September 30,	
	2016	2015
GAAP operating income	\$ 18,093	\$ 16,733
Amortization of intangibles	15,461	9,827
Asset impairment	1,979	—
Stock based compensation	5,008	5,067
Restructuring expense	1,133	—
Corporate development	57	—
Fair value adjustment to deferred revenue	2,108	3,547
Fair value adjustment to deferred expense	80	147
Non-GAAP operating income	<u>\$ 43,919</u>	<u>\$ 35,321</u>

Reconciliation of GAAP operating margin to non-GAAP operating margin	Three months ended September 30,	
	2016	2015
GAAP operating margin	9 %	12 %
Amortization of intangibles	8 %	6 %
Asset impairment	1 %	—%
Stock based compensation	3 %	4 %
Restructuring expense	1 %	—%
Corporate development	—%	—%
Fair value adjustment to deferred revenue	1 %	3 %
Fair value adjustment to deferred expense	—%	—%
Non-GAAP operating margin	<u>23 %</u>	<u>25 %</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, unaudited)

Reconciliation of GAAP net income to non-GAAP net income	Three months ended September 30,	
	2016	2015
GAAP net income	\$ 3,346	\$ 6,094
Amortization of intangibles	15,461	9,827
Asset Impairment	1,979	—
Stock based compensation	5,008	5,067
Income tax expense	6,477	5,673
Restructuring expense	1,133	—
Corporate development	57	—
Amortization of debt discounts and fees	3,631	2,872
Cash income tax expense	(850)	(725)
Fair value adjustment to deferred revenue	2,108	3,547
Fair value adjustment to deferred expense	80	147
Loss on debt extinguishment	—	—
Non-GAAP net income	<u>\$ 38,430</u>	<u>\$ 32,502</u>

# Reconciliation of GAAP to Non-GAAP Results

(in thousands, unaudited)

Reconciliation of net cash provided by operating activities to free cash flow	Three months ended September 30,	
	2016	2015
Net cash provided by operating activities	\$ 44,459	\$ 35,159
Capital expenditures	(9,368)	(3,246)
Free cash flow	<u>\$ 35,091</u>	<u>\$ 31,913</u>
Net cash used in investing activities	<u>\$ (9,615)</u>	<u>\$ (4,101)</u>
Net cash (used in) financing activities	<u>\$ (21,973)</u>	<u>\$ (28,566)</u>



# Reconciliation of GAAP to Non-GAAP Results

(in millions, unaudited)

Reconciliation of GAAP revenue to Pro-Forma non-GAAP revenue	Q3/15 Web.com	Q3/15 Yodle	Q3/15 Pro- Forma
GAAP revenue	\$ 136.8	\$ 53.0	\$ 189.8
Fair value adjustment to deferred revenue	3.5	-	3.5
Non-GAAP revenue	<u>\$ 140.4</u>	<u>\$ 53.0</u>	<u>\$ 193.3</u>

Reconciliation of GAAP revenue to Pro-Forma non-GAAP revenue	Q3/16 Web.com	Q3/16 Pro- Forma	
GAAP revenue	\$ 190.7	\$ -	\$ 190.7
Fair value adjustment to deferred revenue	2.1	-	2.1
Non-GAAP revenue	<u>\$ 192.8</u>	<u>\$ -</u>	<u>\$ 192.8</u>

Reconciliation of GAAP revenue to Pro-Forma non-GAAP revenue	Q3/15 YTD Web.com	Q3/15 YTD Yodle	Q3/15 YTD Pro-Forma
GAAP revenue	\$ 405.1	\$ 154.0	\$ 559.1
Fair value adjustment to deferred revenue	12.9	-	12.9
Non-GAAP revenue	<u>\$ 418.0</u>	<u>\$ 154.0</u>	<u>\$ 572.0</u>

Reconciliation of GAAP revenue to Pro-Forma non-GAAP revenue	Q3/16 YTD Web.com	Q3/16 YTD Yodle	Q3/16 YTD Pro-Forma
GAAP revenue	\$ 523.3	\$ 40.2	\$ 563.5
Fair value adjustment to deferred revenue	16.7	-	16.7
Non-GAAP revenue	<u>\$ 540.0</u>	<u>\$ 40.2</u>	<u>\$ 580.2</u>

Numbers may not add due to rounding