

Web.com Reports Second Quarter 2015 Financial Results

- *Second quarter revenue and profitability exceeded high end of guidance*
- *Generated \$45.5 million of operating cash flow, up 22% year over year*
- *Repurchased 657,000 shares for \$14.2 million and reduced debt by \$30.0 million*
- *3.3 million subscribers with 21,000 net additions*

JACKSONVILLE, Fla. - July 30, 2015 - [Web.com Group, Inc.](#) (NASDAQ: WWWW), a leading provider of Internet services and online marketing solutions for small businesses, today announced results for the second quarter ended June 30, 2015.

“Web.com delivered solid second quarter results that exceeded revenue and profitability expectations. Our team continues to execute against our goals of growing our value added offerings, attracting high quality subscribers, and maintaining best in class customer retention. The \$69.5 million of free cash flow we delivered year-to-date shows the strong cash generating capacity of our business model and our commitment to using these proceeds to create value for our shareholders through paying down debt and buying back stock,” said David L. Brown, chairman, chief executive officer and president of Web.com.

Brown added, “Small businesses increasingly recognize they need to move beyond an online presence and generate engagement and interaction with their customers to improve their business performance. We believe Web.com has a unique value proposition that addresses this need by combining quality technology tools with award winning services and customer support across the entire online marketing spectrum. We see a significant market opportunity for these value-added offerings and believe they can help generate improved revenue growth and profitability for Web.com and our small business subscribers.”

Summary of Second Quarter 2015 Financial Results:

- Total revenue, calculated in accordance with U.S. generally accepted accounting principles (GAAP), was \$135.7 million for the second quarter of 2015, compared to \$138.2 million for the second quarter of 2014. Non-GAAP revenue was \$140.0 million for the second quarter of 2015, compared to \$144.7 million in the year-ago quarter, and above the high end of the Company's guidance range of \$137.0 million to \$138.5 million.
- GAAP operating income was \$14.9 million for the second quarter of 2015, compared to \$10.4 million for the second quarter of 2014. Non-GAAP operating income was \$34.3 million for the second quarter of 2015, representing a 25% non-GAAP operating margin,

compared to \$38.4 million for the second quarter of 2014, representing a 27% non-GAAP operating margin.

- GAAP net income was \$4.6 million, or \$0.09 per diluted share, for the second quarter of 2015. GAAP net loss was \$0.8 million, or \$0.02 per diluted share, for the second quarter of 2014. Non-GAAP net income was \$31.5 million for the second quarter of 2015, or \$0.60 per diluted share, exceeding the high end of the Company's guidance of \$29.0 million to \$30.0 million, or \$0.56 to \$0.57 per diluted share. The Company had non-GAAP net income of \$33.6 million, or \$0.62 per diluted share, for the second quarter of 2014.
- Adjusted EBITDA was \$38.4 million for the second quarter of 2015, compared to \$41.8 million for the second quarter of 2014, representing a 27% and 29% adjusted EBITDA margin during three months ended June 30, 2015 and 2014, respectively.
- The Company generated cash from operations of \$45.5 million for the second quarter of 2015, compared to \$37.1 million of cash flow from operations for the second quarter of 2014.

Second Quarter and Recent Business Highlights:

- Web.com's total net subscribers were approximately 3,316,000 at the end of the second quarter of 2015, up approximately 21,000 from the end of the first quarter of 2015.
- Web.com's average revenue per user (ARPU) was \$13.91 for the second quarter of 2015 compared to \$14.89 for the second quarter of 2014. ARPU was up sequentially during the second quarter of 2015 from \$13.75 during the first quarter of 2015.
- Web.com's trailing twelve month customer retention rate was 87.7% for the second quarter of 2015. This is in line with recent levels of high customer retention.
- Web.com used \$30.0 million in cash to reduce debt during the second quarter of 2015.
- Repurchased 657,000 shares for \$14.2 million in the second quarter of 2015.

Conference Call Information

Management will host a conference call today, July 30, 2015, at 5:00 p.m. ET, to discuss Web.com's second quarter financial results and current business outlook. There will be an accompanying slide presentation which will be available on the Investor Relations page of Web.com's website (<http://ir.web.com>), along with a live webcast and replay of the call. To access the call, dial 877-407-0789 (domestic) or 201-689-8562 (international). A replay of this conference call will be available until August 6, 2015, at 877-870-5176 (domestic) or 858-384-5517 (international). The replay conference ID is 13614023.

About Web.com

[Web.com Group, Inc.](#) (Nasdaq: WWWW) provides a full range of Internet services to small businesses to help them compete and succeed online. Web.com meets the needs of small businesses anywhere along their lifecycle with affordable, subscription-based solutions including domains, hosting, website design and management, search engine optimization, online marketing campaigns, local sales leads, social media, mobile products and eCommerce solutions. For more information, please visit www.web.com; follow Web.com on Twitter [@webdotcom](#) or on Facebook at facebook.com/web.com.

Note to Editors: Web.com is a registered trademark of Web.com Group, Inc.

Use of Non-GAAP Financial Measures

Some of the measures in this press release are non-GAAP financial measures within the meaning of the SEC Regulation G. Web.com believes presenting non-GAAP measures is useful to investors, because it describes the operating performance of the company, in ways that management views or uses to assess the performance of the Company. Web.com's 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 elsewhere in this press release.

Relative to each of the non-GAAP measures Web.com presents, management further sets forth its rationale as follows:

- *Non-GAAP Revenue.* Web.com excludes from non-GAAP revenue the impact of the fair value adjustment to amortized deferred revenue because we believe that excluding such measures helps management and investors better understand our revenue trends.
- *Non-GAAP Operating Income and Non-GAAP Operating Margin.* Web.com excludes from non-GAAP operating income and non-GAAP operating margin, amortization of intangibles, fair value adjustment to deferred revenue and deferred expense, restructuring expenses, corporate development expenses, and stock-based compensation charges. Management believes that excluding these items assists management and investors in evaluating period-over-period changes in Web.com's operating income without the impact of items that are not a result of the Company's day-to-day business and operations.
- *Non-GAAP Net Income and Non-GAAP Net Income Per Basic and Diluted Share.* Web.com excludes from non-GAAP net income and non-GAAP net income per basic and diluted share amortization of intangibles, income tax provision, fair value adjustment to deferred revenue and deferred expense, restructuring expenses, corporate development expenses, amortization of debt discounts and fees, and stock-based compensation, and includes estimated cash income tax payments, because management believes that adjusting for such measures helps management and investors better understand the Company's operating activities.
- *Adjusted EBITDA and Adjusted EBITDA Margin.* Web.com excludes from adjusted EBITDA and adjusted EBITDA margin depreciation expense, amortization of intangibles, income tax provision, interest expense, interest income, stock-based compensation, fair value adjustments to deferred revenue and deferred expense, corporate development expenses and restructuring expenses, because management believes that excluding such items helps investors better understand the Company's operating activities.

- *Non-GAAP Gross Profit and Non-GAAP Gross Margin.* Web.com excludes from non-GAAP gross profit and non-GAAP gross margin, fair value adjustment to deferred revenue and deferred expense, and stock based compensation charges. Management believes that excluding these items assists management and investors in evaluating period-over-period changes in Web.com's gross profit and gross margin without the impact of items that are not a result of the Company's day-to-day business operations.
- *Free Cash Flow.* Free cash flow is a non-GAAP financial measure that Web.com uses and defines as net cash provided by operating activities less capital expenditures. The Company considers free cash flow to be a liquidity measure which provides useful information to management and investors about the amount of cash generated by the business after the acquisition of property and equipment, which can then be used for investment opportunities.

In respect of the foregoing, Web.com provides the following supplemental information to provide additional context for the use and consideration of the non-GAAP financial measures used elsewhere in this press release:

- *Stock-based compensation.* These expenses consist of expenses for employee stock options and employee awards under Accounting Standards Codification ("ASC") 718-10. While stock-based compensation expense calculated in accordance with ASC 718-10 constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because such expense is not used by management to assess the core profitability of the Company's business operations. Web.com further believes these measures are useful to investors in that they allow for greater transparency to certain line items in our financial statements. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.
- *Amortization of intangibles.* Web.com incurs amortization of acquired intangibles under ASC 805-10-65. Acquired intangibles primarily consist of customer relationships, customer lists, non-compete agreements, trade names, and developed technology. Web.com expects to amortize for accounting purposes the fair value of the acquired intangibles based on the pattern in which the economic benefits of the intangible assets will be consumed as revenue is generated. Although the intangible assets generate revenue, the Company believes the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.
- *Depreciation expense.* Web.com records depreciation expense associated with its fixed assets. Although its fixed assets generate revenue for Web.com, the item is excluded because management believes certain non-GAAP financial measures excluding this item provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.
- *Amortization of debt discounts and fees.* Web.com incurs amortization expense related to debt discounts and deferred financing fees. The difference between the effective interest expense and the coupon interest expense (i.e. debt discount), as well as, amortized deferred financing fees are excluded because Web.com believes the non-GAAP measures excluding these items provide meaningful supplemental information regarding the Company's operational performance. In addition, when management performs internal comparisons to Web.com's historical operating results and compares the Company's operating results to the Company's competitors, management excludes this item from various non-GAAP measures.
- *Restructuring expense.* Web.com has recorded restructuring expenses and excludes the impact of these expenses from its non-GAAP measures, because such expense is not used by management to assess the core profitability of the Company's business operations.
- *Income tax expense.* Due to the magnitude of Web.com's historical net operating losses and related deferred tax asset, the Company excludes income tax from its non-GAAP measures primarily because it is not

indicative of the actual tax to be paid by the Company and therefore is not reflective of ongoing operating results. The Company believes that excluding this item provides meaningful supplemental information regarding the Company's operational performance and facilitates management's internal comparisons to the Company's historical operating results and comparisons to the Company's competitors' operating results. The Company includes the estimated tax that the Company expects to pay for operations during the periods presented.

- *Fair value adjustment to deferred revenue and deferred expense.* Web.com has recorded a fair value adjustment to acquired deferred revenue and deferred expense in accordance with ASC 805-10-65. Web.com excludes the impact of these adjustments from its non-GAAP measures, because doing so results in non-GAAP revenue and non-GAAP net income which are reflective of ongoing operating results and more comparable to historical operating results, since the majority of the Company's revenue is recurring subscription revenue. Excluding the fair value adjustment to deferred revenue and deferred expense therefore facilitates management's internal comparisons to Web.com's historical operating results.
- *Corporate development expenses.* Web.com incurred expenses relating to acquisitions and the successful integration of acquisitions. Web.com excludes the impact of these expenses from its non-GAAP measures, because such expense is not used by management to assess the core profitability of the Company's business operations.

Forward-Looking Statements

This press release includes certain "forward-looking statements" including, without limitation, statements regarding the size of the market opportunity for Web.com's products to small businesses, and whether such products can generate improved revenue growth and profitability for Web.com, statements regarding whether Web.com's products are a unique value proposition, 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 forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this presentation that are not historical facts. These statements are sometimes identified by words such as "believe," "opportunities," 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, risks related to the successful offering of the products and services of Web.com; 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, 2014 and Form 10-Q for the quarter ended March 31, 2015, as filed with the Securities and Exchange Commission, which is available on a website maintained by the Securities and Exchange Commission at 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.

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Source: Web.com

Web.com Group, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands, except for per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 135,719	\$ 138,176	\$ 268,319	\$ 272,019
Cost of Revenue	<u>47,102</u>	<u>48,599</u>	<u>95,804</u>	<u>95,185</u>
Gross profit	88,617	89,577	172,515	176,834
Operating expenses:				
Sales and marketing	35,680	36,710	71,359	74,243
Technology and development	5,858	7,691	11,660	14,889
General and administrative	18,273	15,031	35,484	28,772
Restructuring expense	22	—	335	—
Depreciation and amortization	<u>13,849</u>	<u>19,793</u>	<u>27,593</u>	<u>39,032</u>
Total operating expenses	<u>73,682</u>	<u>79,225</u>	<u>146,431</u>	<u>156,936</u>
Income from operations	14,935	10,352	26,084	19,898
Interest expense, net	(5,182)	(7,299)	(10,431)	(14,793)
Income tax expense	<u>(5,203)</u>	<u>(3,847)</u>	<u>(8,764)</u>	<u>(5,409)</u>
Net income (loss)	<u>\$ 4,550</u>	<u>\$ (794)</u>	<u>\$ 6,889</u>	<u>\$ (304)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments	797	—	90	—
Unrealized (loss) gain on investments, net of tax	<u>(4)</u>	<u>4</u>	<u>1</u>	<u>2</u>
Total comprehensive income (loss)	<u>\$ 5,343</u>	<u>\$ (790)</u>	<u>\$ 6,980</u>	<u>\$ (302)</u>
Basic earnings per share:				
Net income (loss) per common share	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ 0.14</u>	<u>\$ (0.01)</u>
Diluted earnings per share:				
Net income (loss) per common share	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ 0.13</u>	<u>\$ (0.01)</u>

Web.com Group, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	June 30, 2015	December 31, 2014
	<u>(unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,906	\$ 22,485
Accounts receivable, net of allowance of \$2,010 and \$1,705, respectively	14,304	16,932
Prepaid expenses	10,468	10,550
Deferred expenses	63,069	62,818
Deferred taxes	22,699	23,750
Other current assets	4,964	5,012
Total current assets	<u>131,410</u>	<u>141,547</u>
Property and equipment, net	43,652	44,000
Deferred expenses	49,648	50,901
Goodwill	639,648	639,564
Intangible assets, net	338,232	357,819
Other assets	4,839	4,575
Total assets	<u>\$ 1,207,429</u>	<u>\$ 1,238,406</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 9,197	\$ 9,940
Accrued expenses	16,205	14,937
Accrued compensation and benefits	8,747	5,997
Deferred revenue	224,700	217,394
Current portion of debt	8,683	6,197
Other liabilities	4,667	5,069
Total current liabilities	<u>272,199</u>	<u>259,534</u>
Deferred revenue	189,780	185,338
Long-term debt	456,621	501,085
Deferred tax liabilities	118,501	111,503
Other long-term liabilities	7,178	6,856
Total liabilities	<u>1,044,279</u>	<u>1,064,316</u>
Stockholders' equity:		
Common stock, \$0.001 par value per share: 150,000,000 shares authorized, 51,245,987 and 52,108,719 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	51	52
Additional paid-in capital	558,152	552,991
Treasury stock at cost, 1,565,068 shares as of June 30, 2015 and 395,395 shares as of December 31, 2014	(30,055)	(6,975)
Accumulated other comprehensive loss	(1,302)	(1,393)
Accumulated deficit	(363,696)	(370,585)
Total stockholders' equity	<u>163,150</u>	<u>174,090</u>
Total liabilities and stockholders' equity	<u>\$ 1,207,429</u>	<u>\$ 1,238,406</u>

Web.com Group, Inc.
Reconciliations of GAAP to Non-GAAP Results
(in thousands, except for per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Reconciliation of GAAP revenue to non-GAAP revenue				
GAAP revenue	\$ 135,719	\$ 138,176	\$ 268,319	\$ 272,019
Fair value adjustment to deferred revenue	4,252	6,492	9,345	13,883
Non-GAAP revenue	<u>\$ 139,971</u>	<u>\$ 144,668</u>	<u>\$ 277,664</u>	<u>\$ 285,902</u>
Reconciliation of GAAP net income (loss) to non-GAAP net income				
GAAP net income (loss)	\$ 4,550	\$ (794)	\$ 6,889	\$ (304)
Amortization of intangibles	9,822	16,320	19,638	32,504
Stock based compensation	5,137	4,939	10,184	9,442
Income tax expense	5,203	3,847	8,764	5,409
Restructuring expense	22	—	335	—
Corporate development	—	—	597	40
Amortization of debt discounts and fees	2,822	2,790	5,620	5,508
Cash income tax expense	(520)	(267)	(787)	(399)
Fair value adjustment to deferred revenue	4,252	6,492	9,345	13,883
Fair value adjustment to deferred expense	167	269	358	570
Non-GAAP net income	<u>\$ 31,455</u>	<u>\$ 33,596</u>	<u>\$ 60,943</u>	<u>\$ 66,653</u>
Reconciliation of GAAP basic net income (loss) per share to non-GAAP basic net income per share				
Basic GAAP net income (loss) per share	\$ 0.09	\$ (0.02)	\$ 0.14	\$ (0.01)
Amortization of intangibles	0.20	0.32	0.39	0.65
Stock based compensation	0.10	0.10	0.20	0.19
Income tax expense	0.10	0.08	0.17	0.11
Restructuring expense	—	—	0.01	—
Corporate development	—	—	0.01	—
Amortization of debt discounts and fees	0.06	0.05	0.11	0.11
Cash income tax expense	(0.01)	(0.01)	(0.02)	(0.01)
Fair value adjustment to deferred revenue	0.08	0.13	0.18	0.27
Fair value adjustment to deferred expense	—	0.01	0.01	0.01
Basic Non-GAAP net income per share	<u>\$ 0.62</u>	<u>\$ 0.66</u>	<u>\$ 1.20</u>	<u>\$ 1.32</u>
Reconciliation of GAAP diluted net income (loss) per share to non-GAAP diluted net income per share				
Diluted shares:				
Basic weighted average common shares	50,362	50,809	50,616	50,571
Diluted stock options	1,800	3,250	1,584	3,406
Diluted restricted stock	273	507	310	645
Total diluted weighted average common shares	<u>52,435</u>	<u>54,566</u>	<u>52,510</u>	<u>54,622</u>

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Reconciliation of GAAP diluted net income (loss) per share to non-GAAP diluted net income per share				
Diluted GAAP net income (loss) per share	\$ 0.09	\$ (0.02)	\$ 0.13	\$ (0.01)
Diluted equity	—	0.01	—	—
Amortization of intangibles	0.19	0.30	0.37	0.61
Stock based compensation	0.10	0.09	0.18	0.17
Income tax expense	0.10	0.07	0.17	0.10
Restructuring expense	—	—	0.01	—
Corporate development	—	—	0.01	—
Amortization of debt discounts and fees	0.05	0.05	0.11	0.10
Cash income tax expense	(0.01)	—	(0.01)	(0.01)
Fair value adjustment to deferred revenue	0.08	0.12	0.18	0.25
Fair value adjustment to deferred expense	—	—	0.01	0.01
Diluted Non-GAAP net income per share	<u>\$ 0.60</u>	<u>\$ 0.62</u>	<u>\$ 1.16</u>	<u>\$ 1.22</u>
Reconciliation of GAAP operating income to non-GAAP operating income				
GAAP operating income	\$ 14,935	\$ 10,352	\$ 26,084	\$ 19,898
Amortization of intangibles	9,822	16,320	19,638	32,504
Stock based compensation	5,137	4,939	10,184	9,442
Restructuring expense	22	—	335	—
Corporate development	—	—	597	40
Fair value adjustment to deferred revenue	4,252	6,492	9,345	13,883
Fair value adjustment to deferred expense	167	269	358	570
Non-GAAP operating income	<u>\$ 34,335</u>	<u>\$ 38,372</u>	<u>\$ 66,541</u>	<u>\$ 76,337</u>
Reconciliation of GAAP operating margin to non-GAAP operating margin				
GAAP operating margin	11%	7%	10%	7%
Amortization of intangibles	7	12	7	12
Stock based compensation	4	3	4	3
Restructuring expense	—	—	—	—
Corporate development	—	—	—	—
Fair value adjustment to deferred revenue	3	5	3	5
Fair value adjustment to deferred expense	—	—	—	—
Non-GAAP operating margin	<u>25%</u>	<u>27%</u>	<u>24%</u>	<u>27%</u>
Reconciliation of GAAP operating income to adjusted EBITDA				
GAAP operating income	\$ 14,935	\$ 10,352	\$ 26,084	\$ 19,898
Depreciation and amortization	13,849	19,793	27,593	39,032
Stock based compensation	5,137	4,939	10,184	9,442
Restructuring expense	22	—	335	—
Corporate development	—	—	597	40
Fair value adjustment to deferred revenue	4,252	6,492	9,345	13,883
Fair value adjustment to deferred expense	167	269	358	570
Adjusted EBITDA	<u>\$ 38,362</u>	<u>\$ 41,845</u>	<u>\$ 74,496</u>	<u>\$ 82,865</u>

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Reconciliation of GAAP operating margin to adjusted EBITDA margin				
GAAP operating margin	11%	7%	10%	7%
Depreciation and amortization	9	14	10	14
Stock based compensation	4	3	4	3
Restructuring expense	—	—	—	—
Corporate development	—	—	—	—
Fair value adjustment to deferred revenue	3	5	3	5
Fair value adjustment to deferred expense	—	—	—	—
Adjusted EBITDA margin	<u>27%</u>	<u>29%</u>	<u>27%</u>	<u>29%</u>

Reconciliation of GAAP gross profit to non-GAAP gross profit

Gross Profit	\$ 88,617	\$ 89,577	\$ 172,515	\$ 176,834
Fair value adjustment to deferred revenue	4,252	6,492	9,345	13,883
Fair value adjustment to deferred cost	167	269	358	570
Stock based compensation	512	535	1,020	1,023
Non-GAAP gross profit	<u>\$ 93,548</u>	<u>\$ 96,873</u>	<u>\$ 183,238</u>	<u>\$ 192,310</u>
Non-GAAP gross margin	67%	67%	66%	67%

Reconciliation of net cash provided by operating activities to free cash flow

Net cash provided by operating activities	45,488	\$ 37,142	77,411	\$ 55,748
Capital expenditures	(4,307)	(5,306)	(7,911)	(8,227)
Free cash flow	<u>\$ 41,181</u>	<u>\$ 31,836</u>	<u>\$ 69,500</u>	<u>\$ 47,521</u>

Revenue

Subscription	\$ 133,685	\$ 136,044	\$ 264,145	\$ 267,828
Professional services and other	2,034	2,132	4,174	4,191
Total	<u>\$ 135,719</u>	<u>\$ 138,176</u>	<u>\$ 268,319</u>	<u>\$ 272,019</u>

Stock based compensation

Cost of revenue	\$ 512	\$ 535	\$ 1,020	\$ 1,023
Sales and marketing	1,214	1,254	2,449	2,402
Technology and development	747	807	1,510	1,545
General and administrative	2,664	2,343	5,205	4,472
Total	<u>\$ 5,137</u>	<u>\$ 4,939</u>	<u>\$ 10,184</u>	<u>\$ 9,442</u>

Web.com Group, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income (loss)	\$ 4,550	\$ (794)	\$ 6,889	\$ (304)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,849	19,793	27,593	39,032
Stock based compensation	5,137	4,939	10,184	9,442
Deferred income taxes	4,767	3,562	8,047	4,973
Amortization of debt issuance costs and other	2,824	2,789	5,620	5,508
Changes in operating assets and liabilities:				
Accounts receivable, net	2,898	935	2,643	(2,238)
Prepaid expenses and other assets	396	3,211	(219)	(874)
Deferred expenses	5,283	(2,285)	1,002	(3,226)
Accounts payable	2,509	(1,485)	(373)	(5,191)
Accrued expenses and other liabilities	(386)	3,743	1,629	2,948
Accrued compensation and benefits	2,756	3,618	2,690	(4,625)
Accrued restructuring costs and other reserves	—	—	—	(1,139)
Deferred revenue	905	(884)	11,706	11,442
Net cash provided by operating activities	<u>45,488</u>	<u>37,142</u>	<u>77,411</u>	<u>55,748</u>
Cash flows from investing activities				
Business acquisitions, net of cash acquired	—	—	(475)	(7,437)
Capital expenditures	(4,307)	(5,306)	(7,911)	(8,227)
Net cash used in investing activities	<u>(4,307)</u>	<u>(5,306)</u>	<u>(8,386)</u>	<u>(15,664)</u>
Cash flows from financing activities				
Stock issuance costs	(26)	(14)	(50)	(38)
Common stock repurchased	(41)	(11)	(2,302)	(4,967)
Payments of long-term debt	(30,000)	(35,000)	(47,500)	(50,000)
Proceeds from exercise of stock options	2,250	2,570	4,221	6,724
Proceeds from borrowings on revolving credit facility	—	—	—	9,000
Common stock purchases under stock repurchase plan	(14,189)	—	(29,975)	—
Net cash used in financing activities	<u>(42,006)</u>	<u>(32,455)</u>	<u>(75,606)</u>	<u>(39,281)</u>
Effect of exchange rate changes on cash	<u>5</u>	<u>—</u>	<u>2</u>	<u>—</u>
Net (decrease) increase in cash and cash equivalents	(820)	(619)	(6,579)	803
Cash and cash equivalents, beginning of period	16,726	15,228	22,485	13,806
Cash and cash equivalents, end of period	<u>\$ 15,906</u>	<u>\$ 14,609</u>	<u>\$ 15,906</u>	<u>\$ 14,609</u>
Supplemental cash flow information				
Interest paid	<u>\$ 1,774</u>	<u>\$ 4,018</u>	<u>\$ 4,882</u>	<u>\$ 9,544</u>
Income tax paid	<u>\$ 420</u>	<u>\$ 360</u>	<u>\$ 902</u>	<u>\$ 551</u>