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PRESENTATION

Operator

Greetings and welcome to the Web.com second-quarter 2011 earnings conference call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

(Operator Instructions)

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Susan Edelman, Director of Investor Relations. Thank you, Ms. Edelman, you may begin.

Susan Edelman - *Web.com - Director IR*

Good afternoon and thank you for joining us today to review Web.com's second-quarter 2011 financial results along with their agreement to acquire Network Solutions which was announced today after the market close. With me on the call today are David Brown, Chairman and CEO and Kevin Carney, Chief Financial Officer. After prepared remarks, we will open up the call to a question-and-answer session.

Please note that our remarks today contain forward-looking statements. The words expect, believe, will, going, begin, see, plan, continue, and similar expressions are intended to identify forward-looking statements. These statements are based solely on our current expectations and there are risks and uncertainties that can cause results and the timing of such results to differ materially from those projected in the forward-looking statements. Please refer to our filings with the SEC and the risk factors contain therein, including but not limited to, our quarterly report on Form 10-Q for the quarter-ended March 31, 2011, for more information on risks and uncertainties and our limitations that apply to our forward-looking statements. Web.com expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements made herein.

Additionally, non-GAAP financial measures will be discussed on this conference call. A reconciliation to the nearest GAAP financial measure is available at our website, www.web.com under the Investor Relations tab. Also, please note our webcast and today's call will be available on our website in the Investor Relations section and that a set of slides pertaining to our second quarter and the Network Solutions acquisition are also posted on our website.

With that, I will turn the call over to our Chairman and CEO, David Brown. David?

David Brown - *Web.com - Chairman & CEO*

Thank you, Susan and thank you all for joining us on the call. We have a lot of exciting news to discuss this evening. First, our second-quarter results which were above the high end of our guidance and demonstrated the growing momentum of our business. Second, we also announced our plans to acquire Network Solutions, which will further accelerate the growth strategy that we've been executing on post- the acquisition of Register.com.

We believe it represents a game changer for our Company as we become the leading end-to-end solution provider for the industry we are serving. As we look ahead, we believe we have a clear path toward $500 million in revenue and the potential to drive revenues to a billion dollars over the long-term.

At the same time, our overall financial profile will continue to strengthen. Our recurring revenue increases significantly, customer churn will come down even further from its already record low level, our profitability and free cash flow will dramatically expand and the level at which we will be able to invest in growth initiatives and now, brand building, will be taken to an entirely different level. From an overall perspective, we believe that our combined Company has the potential to drive low-teens revenue growth and mid-teens to 20% profitability and cash flow growth over the next 3 to 4 years as we realize the revenue and cost synergies from combining Web.com and Network Solutions.

As you can tell, we are extremely excited about the potential for our combined company as we are increasingly well positioned against 3 powerful long-term trends, social networking, local search, and mobile adoption. As small businesses shift their marketing resources from traditional channels to the online world.

The second quarter's results are particularly meaningful in the context of the Network Solutions acquisition. They provide strong validation of the Register.com acquisition after only 3 full quarters as a combined company. Because the Network Solutions acquisition is so similar to Register.com acquisition, but on a far larger scale, we think are second-quarter results demonstrate the value we can generate through the combination with Network Solutions.

In terms of the structure for the remainder of today's call, I will go through the highlights of our second-quarter performance followed by the strategic rationale for the Network Solutions acquisition. I will then turn the call over to Kevin who will review the details of our second-quarter performance and the financial terms of our transaction.

For the second quarter, non-GAAP revenue was $46.2 million, above the high end of our guidance and growing at the highest sequential growth rate in the past 3 years. ARPU grew to $16.24, up $0.60 from first quarter's $15.64. From a profitability perspective, we delivered adjusted EBITDA of $10 million, representing a 22% adjusted EBITDA margin and a 165% increase compared to the second quarter of last year. This contributed to non-GAAP earnings per share of $0.26, $0.02 above the high end of our guidance. Finally, we generated $6 million in non-GAAP cash flow from operations.

The improving trends that were evident last quarter continued during the second quarter including increasing ARPU, churn remaining at record low levels, strong adoption of our social and mobile solutions, cross-sell and up-sell to both Web.com and Register.com customer bases, improving productivity of our sales and operations teams and decline in the rate of attrition of domain name customers. The rebound in our core Web services offerings has had the greatest impact on increasing our ARPU given its higher price points while the rapid adoption of our Facebook and mobile offerings have also made a growing contribution as we continue to add products into our suite of services.

Through the first 6 months of the year, we have sold more than 8,000 custom Facebook profiles doubling the number from the end of the first quarter to the end of the second quarter. We are extremely pleased with the market's acceptance of this new solution and believe that we can roughly double our Facebook customer base in the second half of the year. Our Facebook offering remains the most successful new product introduction in the history of our Company.

We've also continued to see high interest levels for our mobile product this quarter. It offers small businesses a simple, highly effective way to provide critical contact mapping and social information in an easy-to-use icon-based screen on their phone, and this product has been gaining traction in our Do-It-Yourself channel and is set to be launched into our Do-It-For-Me channel in the near future.

All things considered, our ARPU increased $0.60 during the second quarter, representing a solid 4% sequential increase to $16.24. This increase is more than double the $0.25 sequential increase during the first quarter.

Following the acquisition of Register.com, we stated we were focused on driving ARPU growth and we have delivered against what we said we are going to do. Moreover, we said our second priority would be to begin reverse registers trend of losing approximately 20,000 domain name customers per quarter. At the end of the second quarter, our net loss was 13,000 subscribers representing modest growth in our web services offset by a reduction in the number of domain names subscribers.

Now, I will provide a quick update on our expanded parking programs that we discussed last quarter. We modestly increased our direct response advertising on television during the quarter and we were pleased to meet and over achieve our targeted cost of acquisition goals. Our results provided us with increased confidence to continue increasing the scope of our TV advertising in the second half of the year and we have recently begun testing production on another commercial which will include a greater emphasis on our Facebook offering in addition to our web services.

With respect to our Feet On the Street program, we added several additional resources during the second quarter and we are preparing to materially increase our resources in the second half of the year including the launch of an additional geographic location during the third quarter.

Finally, we realized positive results from marketing tests targeted at increasing the momentum at our DIY web services and domain name services product offerings. For example, we discovered that marketing a lower-priced domain name was driving a total order value that was more than 10 times higher due to additional offerings. When compared to our cost of acquisition, this program has a breakeven point that is just over a year and it is just 1 of the examples that demonstrate our cross-selling success and the powerful synergies between our domain name business services and suite of web services and online marketing solutions.

Our strong second-quarter performance is evidence that we are successfully executing the strategy that we outlined when we acquired Register.com. We've delivered against our cost savings goals, generated substantial free cash flow, and leveraged our much larger customer base by increasing revenues and growing our ARPU.

This brings us to the news of our agreement to purchase Network Solutions. Similar to Register.com, the majority of Network Solutions revenue relates to the domain registrar business which they essentially pioneered. And they have a growing portion of their business being driven by a suite of web services, online marketing and e-Commerce solutions. The primary difference between Network Solutions and Register.com, Network Solutions revenue and subscriber base is several times the size of Register.com at the time we acquired them. Simply put, the acquisition of Network Solutions is a unique chance for Web.com to quickly gain major scale directly in our market sweet spot, the small- and mid-size business market. And build Web.com into the national brand that SMBs has turned to for their online marketing needs.

We come to this transaction with a strong track record of successful acquisitions. This is our management teams eleventh acquisition in the past decade. We are very thoughtful about our acquisitions and as our second-quarter results show we know how to make them work. Strategically, the acquisition of Network Solutions by Web.com creates the largest online marketing solutions company targeting the SMB community and creates the second largest retail domain registrar. The combination of Web.com with Network Solutions immediately delivers powerful scale to our operations as the leading national brand to the small- and mid-size business community.

Many of Network Solutions 2 million customers are targets for Web.com's best in class suite of solutions. While Web.com subscriber base of nearly a million customers is a target for a number of Network Solutions' solutions that will be new to our Company, such as their suite of business applications, security offerings as well as e-mail hosting and management. We believe that Web.com is poised for first branded mover advantage at a tipping point in mass online adoption by SMB's.

There are nearly 30 million small- and mid-size businesses in the US alone and the vast majority continue to have an inadequate web presence if they have a web presence at all. We are increasingly well positioned against 3 powerful lasting consumer migration trends, social media, local search, and mobile devices. Small businesses know that they need to shift their marketing resources from traditional channels to the online world and Web.com is the only company that combines both Do-It-For-Me and Do-It-Yourself web services, online marketing and e-Commerce solutions as well as domain name services all specifically targeted at SMBs.

The acquisition of Network Solutions complements Web.com's current service offering and further improves our ability to capitalize on this 19 billion and growing market for online marketing solutions delivered to small businesses. Our business models are very similar and together we will provide comprehensive suite of services that an SMB needs to create a strong online presence to grow the business. A combined skill that no other company provides. In addition to having highly complementary product portfolios, both companies utilize a high-volume multi-channel customer acquisition strategy that includes call centers, online and direct marketing as well as distribution partners.

We look forward to getting to know and working with the nearly 750 dedicated employees who have built Network Solutions into an organization with a reputation for quality and service and we are delighted to add General Atlantic's Anton Levy with his growth perspective to our already very strong board of directors.

In addition to the compelling strategic reasons for acquiring Network Solutions, the financial profile of our combined company is equally exciting. By way of background, a majority of Network Solutions customers are on multi-year contracts that are paid for in advance. As a result, their customer churn is even lower than the record low levels Web.com has delivered in recent quarters. This model also provides strong forward revenue visibility and substantial free cash flow similar to many subscription-based software-as-a-service companies.

Kevin will provide more details on the moment. But from a highlight perspective, first, we expect our combined company to have initial non-GAAP revenue growth in the upper single-digit to low double-digit range accelerating to the low-teens range in the next few years as we increase ARPU and realized revenue synergies.

Similar to Register.com, a highly attractive aspect of the Network Solutions acquisition is the opportunity to significantly increase our investments in growth initiatives as a result of our larger scale and cost savings. With Network Solutions, this opportunity is increased by a multiple.

Second, we expect the deal to be meaningful accretive to non-GAAP EPS during 2012. Furthermore as we recognize the cost synergies and use the substantial free cash flow to delever the combined company, we would expect EPS growth to outpace revenues with non-GAAP earnings per share expected to grow in the mid-teens to 20% range over the next 3 to 4 years.

Third, we expect our combined company to generate over $105 million to $110 million in unlevered free cash flow during 2011 on a pro forma basis, and we expect to achieve over $30 million in annual cost savings by the end of 2013 as we integrate our operations. As we move ahead, we believe the Company's unlevered free cash flow will become another important metric for investors in addition to our non-GAAP EPS as a result of the growing portion of our revenues that are comprised of multi-year contracts paid for in advance.

Fourth, in addition to the very strong cash flow of our combined company, our ability to service our debt commitment is further enhanced by the favorable tax profile of our combined company. This will enable us to pay down our debt even more rapidly relative to other companies of comparable leverage and lacking similar tax benefits.

We expect the combination with Network Solutions to result in a strong 1 - 2 earnings punch. First, near-term earnings growth spurred by cost synergies, deleveraging and modest revenue growth. Then as we look to years 2, 3, and beyond of our combined operation, we will continue to delever the balance sheet and, importantly, expect to realize the benefits of increased investments in sales, marketing and branding initiatives designed to deliver increased revenue growth combined with margin expansion. We have created significant shareholder value following the same approach post- the acquisition of Register.com and we believe there is even greater opportunity to do so with the acquisition of Network Solutions.

In summary, we are very excited about today's news. Web.com delivered a better than expected second-quarter performance. We are realizing the benefits from our Register.com acquisition and our announced plans to acquire Network Solutions will dramatically expand our scale, customer base, free cash flow, and ability to invest in growth and branding initiatives. We have the opportunity to create the largest online marketing solutions vendor strategically focused on the SMB community with $500 million in non-GAAP revenue within our sights and goals of scaling our Company to the billion dollar revenue level over time.

With that, let me turn it over to Kevin.

Kevin Carney - *Web.com - CFO*

Thank you, David.

Let me start with a review of our P&L for the second quarter. Non-GAAP revenue was $46.2 million excluding the $4 million impact of the purchase accounting reduction to Register.com's deferred revenue in the quarter. Our total revenue grew 2.4% on a sequential basis or approximately 10% on an annualized basis. As David mentioned earlier, our non-GAAP revenue was above the high end of our $45 million to $46 million guidance range. Non-GAAP subscription revenue was $45.4 million representing over 90% of our total revenue and the primary driver to our improved total revenue growth.

Monthly attrition was 1.7% for the quarter, down from our previous quarter record low level of 1.8%. Our consolidated ARPU was $16.24 for the second quarter, a 4% sequential increase from last quarter's level of $15.64.

We ended the quarter with a subscriber base of approximately 926,000 subscribers which is a decline of approximately 13,000 subscribers compared to 939,000 last quarter. This is [an hour] reduction compared to 15,000 last quarter and 20,000 the previous quarter as we started to increase sales and marketing investments in programs that focus on stabilizing and ultimately growing our domain name subscriber base.

Turning to gross profit, we generated $28.6 million in non-GAAP gross profit for the second quarter, representing a gross margin of 61.8% which was an improvement from 61.2% last quarter and 59.7% in the same period last year. Our second quarter non-GAAP income from operations was a record $9.1 million, representing a 20% non-GAAP operating margin and 147% increase compared to the second quarter of 2010.

Based on 31.1 million shares outstanding we generated non-GAAP diluted EPS of $0.26 per share which is up 122% on a year-over-year basis. Adjusted EBITDA was a record of $10 million for the second quarter of 2011, representing an adjusted

EBITDA margin of 22%, up from a 15% adjusted EBITDA margin in the year ago period and reflective of the scale benefits achieved as we have increasingly realized cost savings following the acquisition of Register.com.

We also appreciate that investors need to analyze our results on the GAAP basis. We have provided a full tabular reconciliation of these GAAP results and the non-GAAP results as part of the earnings release. In summarizing the second-quarter GAAP results, total revenue was $42.2 million including the purchase accounting reduction to Register.com's deferred revenue and prepaid registry fees. Gross margin was 57.7%. GAAP sales and marketing expense was $10.7 million. R&D expense was $3.4 million, G&A expense was $6.3 million, depreciation and amortization was $4.7 million and restructuring expense was $149,000. GAAP operating loss and net loss from continuing operations per share were $500,000 and $0.07, respectively in the second quarter of 2011.

Moving to the balance sheet, unrestricted cash and investments were $16 million at the end of the second quarter, compared to $17.8 million at the end of the first quarter. We generated positive cash flow from operations of $6 million excluding the pay down of accrued restructuring expenses and assumed compensation liability and expenses associated with closing the Register.com acquisition. On a GAAP basis, we reported cash flows from operations of $5.3 million. The Company used $8.2 million in cash to pay down long-term debt during the quarter, $6 million greater than required under the terms of their agreement. Since the close of the Register.com acquisition, we have paid down $25 million of our long-term debt which is ahead of the required level of $7.1 million.

Let me now provide guidance on the core Web.com business. We are targeting third quarter non-GAAP revenue in the range of $46 million to $47 million. We currently expect our non-GAAP net income to be in the range of $8 million to $8.5 million or $0.26 to $0.28 per diluted share assuming 33.3 million diluted shares outstanding and a non-GAAP tax rate percentage in the low to mid single-digit range.

We continue to expect the core Web.com business to generate sequential growth for the remainder of the year with our fourth quarter representing year-over-year growth in the upper single digit to double digit range as compared to the fourth-quarter 2010. Our annualized second-quarter performance provides us with increased confidence that we will achieve this goal.

Let me now turn to the financial details associated with the Network Solutions acquisition. Under the terms of the agreement, we have agreed to purchase Network Solutions from the growth equity firm General Atlantic and its other owners for $405 million in cash which we will fund with debt as we will discuss in a moment and 18 million shares of Web.com's common stock. The transaction has been approved by the Board of Directors of both companies and is subject to Web.com shareholder approval as well as standard regulatory approvals and closing conditions.

We currently expect the transaction to close during the fourth quarter. Post- closing, General Atlantic and it's of the current shareholders will own approximately 37% of Web.com's stock. General Atlantic will also take 1 seat on our Board of Directors to add their expertise in advising growth companies.

With respect to Network Solutions' standalone financial profile, it was operating at an annualized revenue run rate of approximately $270 million in the quarter ended June 30, 2011. It has been operating at an adjusted EBITDA margin in the upper 20% to 30% range in recent time periods. Network Solutions revenue has grown at a modest rate over the last 12 months as their primary focus was expense management and debt reduction. It's important to note that Network Solutions also operates a subscription model with over 80% of its customers having been with them for more than 5 years.

Since 2006, Network Solutions monthly churn has been in the 0.5% to 1% range which will have a positive impact on Web.com's overall churn rate upon integration. Additionally a majority of Network Solutions customers pay upfront on contracts ranging from 1 to 10 years in length within average term of 2 years. This model generates recurring revenue as well as significant free cash flow with cash being collected upfront while revenue is spread over the contract term, we believe our cash flow will become increasingly important from a valuation perspective and you will see us focus on that more from a messaging perspective moving forward.

If we take a look at the pro forma combination of our companies, we expect the combined company to generate non-GAAP revenue in the mid-$450 million range during 2011 with over $120 million and adjusted EBITDA. It's important to keep in mind this pro forma EBITDA does not include the estimated $19 million in year 1 pre-tax cost savings and $30 million run rate synergies that we expect to achieve by the end of 2013.

As we expect the transaction to close during our fourth quarter, we will have more to say on the expected financial impact on our third quarter call and following the close of the transaction. While we have not previously provided core Web.com non-GAAP EPS guidance for 2012, we can share that we expect the transaction to be at least 20% accretive to the $1.22 current first call consensus estimate with significantly greater accretion in 2013. More importantly, we expect the transaction to have a significant positive impact on our unlevered free cash flow during 2012. With an increasingly positive impact in future years as we realize cost savings.

By way of comparison, we expect core Web.com to generate on unlevered free cash flow of approximately $30 million for the full year 2011. On a preliminary basis, we expect our combined company will generate pro forma unlevered free cash flow of approximately $105 million to $110 million during 2011. We expect our combined unlevered free cash flow to increase to approximately $125 million to $130 million during 2012 as we grow our combined company and realize year 1 cost synergies.

In addition to the operating fundamentals, our strong cash flow generation is supported by the attractive tax attributes of the combined company. As we noted in the press release the combined company will have the opportunity to leverage approximately $180 million in expected NOLs and over $50 million in expected annual tax deductible goodwill and intangibles amortization which will further support cash flow conversion and the rapid pay down of debt.

Even more compelling as we look beyond 2012, we expect to increasingly realize revenue synergies benefit from the significantly expanded resources we'll be investing in growth initiatives and realize an additional $10 million in cost synergies beyond the level of our year 1 cost savings. With respect to the financing of the transaction, the cash portion of the acquisition will be funded with debt consisting of $600 million of first lien credit facilities and $150 million of second lien credit facilities and an initially unfunded $50 million revolver.

Terms on the first lien are expected to be at LIBOR plus 4.25%, the second lien is expected to be at LIBOR plus 8% and the terms on the revolver remain at LIBOR plus 4.25%. As part of the financing agreement, the anticipated $84 million in remaining Web.com debt undertaken for the Register.com acquisition will be paid off.

Network Solutions currently has $204 million in net debt and after closing the acquisition, we expect the combined company will have a net debt position of approximately $740 million. From a leverage perspective, if you take into consideration year 1 cost savings and continued growth in the upper single-digit to double-digit range we expect to generate adjusted EBITDA of $140 million during 2012. From a leverage perspective, this represents approximately 5 times leverage at close.

Just as we have been doing since acquiring Register, we will expect to use our significant cash flow to quickly delever. We expect to be in the approximately 3 times leverage range by the end of 2013. We are very comfortable with their ability to service our new debt balance based on the strong cash flow and profitability of both companies. Consider that our 2012 interest payment is expected to be approximately $47 million, which compares to our just mentioned expectation of generating unlevered free cash flow of $125 million to $130 million during the first year of our combined operations.

There are a few factors to keep in mind as they relate to modeling our business from a GAAP perspective. First, we expect to incur restructuring charges of approximately $10 million to $12 million, a significant portion of which will be recognized as incurred following the close of the acquisition.

Second, similar to the Register.com acquisition, we expect to write down a portion of Network Solutions' deferred revenue balance which will add back for purposes of non-GAAP reporting.

Third, we will have higher stock-based compensation expense after bringing on board Network Solutions employees. And finally, while it will take time to complete our valuation work, we will clearly have increased amortization expense associated with acquired intangibles. We will provide greater visibility into these charges and expenses in the months and quarters ahead.

In summary, we are very excited to share today's news. Web.com delivered a better than expected second-quarter performance, we our realizing the benefits from our Register.com acquisition and our announced plans to acquire Network Solutions will dramatically expand our scale, customer base, free cash flow, and ability to invest in growth and branding initiatives.

We believe our combined company will be very well positioned to capitalize on the over $19 billion and growing market opportunity associated with delivering online marketing solutions to small businesses. From a financial perspective over the next several years, we believe our combined company has the potential to deliver low teens non-GAAP revenue growth combined with non-GAAP earnings and cash flow growing in the mid-teens to 20% range. We believe today's announcement is great news for our respective companies, customers, employees, and especially Web.com shareholders.

With that, we now like to take questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now be conducting a question-and-answer session.

(Operator Instructions)

One moment please while we pull for questions. Sameet Sinha, B. Riley.

Sameet Sinha - *B. Riley & Co. - Analyst*

Yes. Thank you very much. David acquiring Goliath, all pun intended. (laughter) My first question, you say $140 million in EBITDA next year, if we estimate that $50 million comes from Web.com, that means that Network Solutions EBITDA is going from $80 million to $90 million? Is that correct?

The second thing is, looking at the Network Solutions website, you obviously offer a wider suite of products, how many of those our in-house versus outsourced and what sort of synergies do you expect as you take your solutions displaced to outsourced operations that Network Solutions, for example, I see they use constant contact for e-mail. You display constant contact on your platform and you had your in-house solution which you haven't marketed but is still there. The third question, do you say this will help you target mid-sized companies as well? Because traditionally you always looked at small companies but you mentioned in a comment mid-sized? My final question, I promise, is the big elephant in the room with Google making the new announcement about targeting SMBs in Texas.

Kevin Carney - *Web.com - CFO*

This is Kevin, let me address the first and I will let David take the remaining questions. We refer to the slide presentation that is posted as a good reference point there. So if you think about the last 6 months or the last 12 months I should say through June 30 and look at Web.com from an adjusted EBITDA perspective, about $36 million Network Solutions and the $82 million range and then as we look forward the incremental would be the cost synergies we talked about. $19 million on a pro forma basis and in the first year expecting to realize in the order of about $19 million of the $30 million plus in cost synergies that we have identified, as well as the continued realization of the cost synergies from the Register.com acquisition that we have not seen the benefit of to our P&L in the last 12 months.

David Brown - *Web.com - Chairman & CEO*

Sameet, relative to products, we think they are very complementary product sets between the 2 companies. But having said that, understand that Network Solutions has principally been a Do-It-Yourself oriented Company, and we have stressed on many of our calls that Web.com has been very Do-It-For-Me oriented so there's a difference there. The second big difference between our companies would be that were Web.com typically owns the product set that it delivers to its customers and Network Solutions' case, the own some and they partner for some.

Having distinguished those 2 areas, let me tell you what our plan will be. We will go through a process of looking at, in each company, which is the best platform for our respective customers and for new customers that would join us. And this creates a significant opportunity for us to rationalize our organizations around 1 product set that is best in class for our customers. In fact, there may be situations where we unplug a product on the website. There maybe situation where we unplug a product on the Network Solutions side and replace it with 1 from the other side so I think that is part of the process we have already been examining and it will be part of the process we examine in the coming months.

I think you correctly caught our inclusion of mid-sized business in our target market going forward. For Web.com, we've always been very focused at small businesses, but Network Solutions is a large company with over 2 million customers and in that customer base are a good group of mid-sized customers and we welcome them to our customer base. We will be continuing to support small businesses and focus on that group but many of our customers grow up to be big businesses and we certainly want to help them do that. Expanding our focus to include growing and mid-size companies is now going to be part of our vernacular going forward.

Your final question regarding Google, I assume you are referring to the announcement, the press release announcement that they were going to be offering a very limited free website offering along with their Google Places product, this is one of many times that both Google, Yahoo, Microsoft, and many other companies have put free offerings into the market or for that matter very low priced offerings. We don't see them as a threat, haven't seen them as a threat because they generate very little value for the customer. Again, the name of the game for customers is being found and interacting with their clients and their prospects and a free and limited value products don't deliver that value to customers. We are not at all alarmed by that.

I will tell you that we continue to be a very strong partner of Google and continuing to look for ways to work with Google as many other companies are. We believe that we will continue to coexist. They are our best friend because they continually change how they serve the market which creates an opportunity for a company like us to evolve and help our customers to use those services.

Sameet Sinha - *B. Riley & Co. - Analyst*

Thank you very much.

Operator

Gene Munster, Piper Jaffray.

Gene Munster - *Piper Jaffray - Analyst*

Good afternoon and congratulations. I hope you can do this again. In terms of Network Solutions, did you guys go over, there are a lot of numbers there, what an average ARPU was for Network Solutions?

Kevin Carney - *Web.com - CFO*

I don't think we did mention that but I can tell you their ARPU is a little lower than ours, just a little under $10 to $11 a month -- in that range.

Gene Munster - *Piper Jaffray - Analyst*

Okay. The theory is, they do have different segments but it's basically to combine these 2 and run them as 1 company and not continue to run Network Solutions as a separate company under the web umbrella, is that correct?

David Brown - *Web.com - Chairman & CEO*

I think what you're going to see, Gene, is that you will see from a branding perspective you will see the Network Solutions brand continue on for its customer base and you will see the Web.com brand be the brand that gets promoted into the market at large. From an operational perspective in terms of how we serve customers, we will in fact operate as 1 company and our sales force will be able to sell into the Network Solutions customer base just as we do today into the Register.com customer base so we expect that ARPU that Kevin mentioned, we think that's a real opportunity for us to bring additional goods and services to this customer base and drive significant ARPU improvement over time.

Gene Munster - *Piper Jaffray - Analyst*

Okay. As you look forward into your guidance as far as the general health of the SMB, what are you seeing right now?

David Brown - *Web.com - Chairman & CEO*

We continue to see a very stressed and difficult market. When we look at some of the underlying fundamentals, we see things like billing failure rates and over limit charges, that has not yet begun to improve in the marketplace. We are fortunate some of the market programs we have put in place over the previous couple of quarters are beginning to have traction and we are reaching our own customer base and helping them utilize the Internet to grow their business. In many respects even despite the difficult economy, and as I said it's not gotten better from our perspective, we are making progress because we are literally helping small businesses to make the shift from off-line to online and to market themselves and be found in local searches and communicate with their prospects and their customers.

Gene Munster - *Piper Jaffray - Analyst*

Okay, and then lastly, last quarter you talked about to further investments, whether it's Feet On the Street or potentially TV, experimenting on that front, any update on those topics?

David Brown - *Web.com - Chairman & CEO*

Yes. We commented on a few things that are noteworthy. One we did modestly ramp up our TV spending. Again, we are very cautious so we cautiously ramped up our spend and found that our cost of acquisition continued to be better than our goal so that encourages us to further ramp up our spending in the latter half of the year and some other initiatives in our Do-It-Yourself website and our domain name areas, we continue to see progress there. We are seeing cost of acquisition and around the 1-year term which is very positive from our perspective because these customers stay with us for 5 years or more so we see it as a very attractive place to invest marketing dollars.

Finally, Feet On the Street, we did add a meaningful number of salespeople to our organization in the quarter, and we are planning on adding 1 additional market -- starting up 1 additional market the third quarter and so we believe that will also represent growth opportunity for the business and just giving you a perspective, that Feet On the Street program continues to perform, to meet or beat our expectations, and I would say the thing that we are most impressed with is the efficiency of our program has continued to improve. We are seeing very little turnover in our sales force and as a result it's a very efficient and the timeframe to break even is continuing to improve.

Gene Munster - *Piper Jaffray - Analyst*

And last question, how many total Feet On the Street salespeople do you have?

David Brown - *Web.com - Chairman & CEO*

To be frank with you, I don't even know today. It's a work in progress. We are in 3 or 4 markets and we have got 1 more market to go and most of those markets we generally start with a handful of employees and then ramp up something like to 7 or 8 employees.

Gene Munster - *Piper Jaffray - Analyst*

Great, thank you.

Operator

David Hilal, FBR Capital Markets.

David Hilal - *FBR Capital Markets & Co. - Analyst*

Great. Thank you. A few questions. David, the 2 million subs that they have, has that number been growing steadily or declining over the last 12 months?

David Brown - *Web.com - Chairman & CEO*

It's been declining very slowly, similar to the rate of decline that we see today but they have been making progress as well as we have been making progress. Interestingly, employing some of the same tactics we have employing, so I guess great minds think alike. We expect with this greater leverage that we have, the scale, that we will be able to employ more dollars to help them improve that trend as well.

David Hilal - *FBR Capital Markets & Co. - Analyst*

Do you have a feel for how many of them are active? Sometimes these people sign up for 5 or 10 years and then have a site. It's prepaid and all of a sudden, their website they just let go dormant. Do you have a feel for how many are actually, call it, active site?

David Brown - *Web.com - Chairman & CEO*

I don't actually have that information.

David Hilal - *FBR Capital Markets & Co. - Analyst*

Okay. Let me ask you, Kevin, maybe on the cash flow.

Kevin Carney - *Web.com - CFO*

Yes.

David Hilal - *FBR Capital Markets & Co. - Analyst*

All right, A lot of these guys as you said may pay upfront 2 to 10 years. You might have years of obligation left but again any cash from them -- you'll recognize their revenue ratably from the writedown but you don't get any cash from them. In terms of the benefits to cash flow, if the sub base isn't growing, a lot of these guys have already paid, it sounds like the cash flow benefit will be on the cross sell but really that's it. Am I thinking about it properly?

David Brown - *Web.com - Chairman & CEO*

I understand your point. Obviously, the deferred revenue has made up those prepaid but again we have very strong, I should say Net Sol has had strong renewal rates. Again, we continue to see customers renewing for multiple years and that is where they have driven very good success in maintaining growing revenue from a bookings perspective, which really represents that upfront cash. So they continue to see what I would call a positive variance between bookings which is -- the billings, the cash flow that's coming in relative to the revenue that is being amortized from deferred revenue. We continue to see and they continue to see a positive variance there, and again, driven principally through strong renewals and so forth.

David Hilal - *FBR Capital Markets & Co. - Analyst*

Okay. On the ARPU number, for those folks of theirs that just have the domain registration, what are they paying? What would a ARPU for that customer be over there?

Kevin Carney - *Web.com - CFO*

It would be similar to the ARPU we've talked about within Register.com in the past. You typically see ARPU in the low 20s per year.

David Brown - *Web.com - Chairman & CEO*

Okay, but the total ARPU is 11. So --

Kevin Carney - *Web.com - CFO*

There's a good number of customers that buy other ancillary services. Oftentimes, they are domain related services, we see the big opportunity here to sell them other value-added services as well as, frankly, to your point, help those that are just dormant get online.

David Hilal - *FBR Capital Markets & Co. - Analyst*

Okay, thank you, guys.

Operator

(Operator Instructions)

James Cakmak, from Sidoti & Company.

James Cakmak - *Sidoti & Company - Analyst*

Can you walk us through the background of the deal, how exactly it came about and then how you thought about valuation when you are working to finalize terms with General Atlantic and secondly, you guys had a pretty clear plan of attack with the Register.com on what you are planning to do there, what are you thinking with Network Solutions? What is the strategy because you will be operating under a different brand?

David Brown - *Web.com - Chairman & CEO*

Sure. From a background perspective, I think it's noteworthy that Network Solutions was 1 of the very first partners for website pros which is the predecessor company to Web.com. It was a terrific partner, 1 of the best converting partners in terms of bringing in a domain name customer and getting them to buy our Web services products that we've had in the history of the business. It's one of the reasons why we were motivated to make the Register.com acquisition and that has even proven itself again in the success we have there. Our history with Network Solutions goes back 12 years or more. We've had routine communications with them over the years because we are friendly competitors in a very fragmented market.

One of the real exciting things about this deal from a strategy perspective is, it begins to create a real significant player in a very fragmented market place. A player that has of scale. That was attractive to both of us. Both of us believed that mass adoption was beginning to occur and now is the time to build scale and generate brand in the marketplace. That's really all I can tell you.

I think it's interesting to note that General Atlantic found, which is a private equity firm found this as an appropriate time to effectively take Network Solutions public through this deal with us. I think it speaks to the growing interest amongst a lot of investors in this local search and small business space. And again, it confirms what we have been telling ourselves and telling you, which is that mass adoption is occurring and this is going to be a fun place to have a business for the years to come.

In terms of plan of attack, we expect to use a very similar plan of attack to what we did in the Register transaction. It's a very similar company to Register. In the Register case, we kept their brand for the customers but we have introduced the Web brand for some value-added services and that has been very well received. You can tell in our continuing improvement in churn and in our ARPU growth that the customers like this. We think this will be a similar circumstance in the Network Solutions customer base. They have a very strong brand, a historical strong legacy and we plan to keep that and service it but we will be adding Web.com more broadly into the market because we think as we put more dollars to work that that message will resonate.

James Cakmak - *Sidoti & Company - Analyst*

Okay, thank you. With respect to the synergies you expect for next year, close to $20 million, can you break down what exactly that is going to be coming from?

David Brown - *Web.com - Chairman & CEO*

I think at this point it is safe to say it will be the same types of synergies we saw in the Register transaction. There are duplications of function, of product, of even data centers, that would be a simple one to speak to. All of those things will be part of the process but I think the best way for you to think of it is this is very similar to the Register.com transaction, only bigger.

James Cakmak - *Sidoti & Company - Analyst*

Okay, thank you.

Operator

Ross Sandler, RBC Capital Markets.

Ross Sandler - *RBC Capital Markets - Analyst*

Hey, a couple of questions. A follow-up from the last one. You guys were private labeling a lot of services on Register.com and it seems like you guys knew Network Solutions very well and a lot of people know these guys. You have competed against them. But did you have as much information about what services their subs were using or the nature of their sub base like you did on the Register.com side? Then I have a couple of follow-ups.

David Brown - *Web.com - Chairman & CEO*

Sure. I would say we weren't currently partnered with them and so we had modestly less information, but they were our biggest competitor and our closest competitor. I think we mentioned them often when you would ask questions about competitors so we know a lot about them. We are continually serving their customers, acting as a customer, using their services. We had a very good knowledge of Network Solutions as we began to talk to them about this transaction so we are very comfortable. They have a fantastic management team that we've met and known and we've had a chance to dialogue with that team as well as visit offices and meet their employees so we do have a pretty good depth of knowledge of that organization.

Ross Sandler - *RBC Capital Markets - Analyst*

Okay. It looked like their EBITDA margins were 30% or 31%, whichever it was, a little bit higher than yours, is that just a scale because they are private company or is there anything else that is structurally different about their business? And then, is there go to market strategy any similar or different to yours? Is there any special sauce in the way they run their business that makes it different or is this just about scale? I looked at their website and it seems like the price points are similar to yours. Is there anything different in terms of products or price points they are going to bring to the table that you don't have in your suite of services?

Kevin Carney - *Web.com - CFO*

Ross, this is Kevin, let me address the first part of your question and I will let David take the second part. In terms of margins, I think probably the key would be a function of product mix, and I will come back to that point, and the other would be scale. On the first point, again, if you think about our business and the opportunity we have here is that our roots our DIFM, Do-It -For-Me, the online marketing services. I think we have a broader mix of product than what Network Solutions has which is as we have said principally domain names and as we go out into the non-domain name services, principally DIY, which would be much higher gross margins translating to higher EBITDA margins, I think that's the key difference. I think again a little bit of scale obviously factors in there as well.

David Brown - *Web.com - Chairman & CEO*

From a go-to-market differences, I would say the principal difference is they are a Do-It-Yourself-oriented company so they are using online marketing principally and, of course, organic growth from there own customer base where we have traditionally been Do-It-Yourself plus Do-It-For-Me plus organic growth from our own customer base. We have a little higher ARPU product set and I would say those are the principal differences.

The one thing I would point out that I think it's important from a strategic perspective is that they, to a greater extent than us, but both of us, have been starved for marketing resources to reach the market. We have been big enough individually to put significant marketing budgets and help establish a brand. As a combined company, we are going to be profitable enough and generating enough free cash flow that we can significantly increase our marketing and branding budgets and begin to establish a brand in the market and get the benefits of that brand development. That's something that no other company, other than maybe one I can think of, is capable of doing. We are going to be capable of doing it and the difference between us and the other company is that we focus on small and medium businesses solely. We are going to become the to go to brand for small- and medium-sized businesses.

Ross Sandler - *RBC Capital Markets - Analyst*

Is the marketing -- to someone else's earlier question -- I understand the scale argument but you also said you're going to keep the Network Solutions brand, you are going to have the Web.com brand, you got Register.com. Is there going to be one consolidated message here where we're going to see TV commercials with 1 brand and maybe a few things underneath it? How do you overcome that issue?

David Brown - *Web.com - Chairman & CEO*

Yes. That's a great question but I think the way we'll overcome that is the way we are currently handling it in our most recent acquisition. With Register.com, the Register brand resonates with Register customers and it still exists for Register customer, but when we speak to the market at large, to acquire new customers, we use the Web.com brand. In this situation, we will use the Network Solutions brand, we'll speak to Network Solutions customers, but when we speak to the market at large, the market will hear Web.com as the brand at large. So, it's really a existing customer strategy versus a new customer strategy and that is how we intend to go forward.

Ross Sandler - *RBC Capital Markets - Analyst*

Okay, thanks guys.

Operator

We have time for 1 last question. Our last question comes from Sameet Sinha from B. Riley and Co.

Sameet Sinha - *B. Riley & Co. - Analyst*

Yes. Thank you very much. Can you talk about what the split was between retail versus wholesale domains at Network Solutions and the [time] that these subscribers would stay on these 2 separate categories?

David Brown - *Web.com - Chairman & CEO*

Sure. The question of retail versus wholesale, the 2 million number we are talking about is retail. We have alluded to the fact they have hundreds of thousands of wholesale customers as well, but that is not included in the 2 million retail customers nor is it included in the 900,000 plus customers that we comment on about Web.com. We also have literally hundreds of thousands of wholesale customers so we are really just focusing on retail customers here.

Sameet Sinha - *B. Riley & Co. - Analyst*

Okay, thank you very much.

David Brown - *Web.com - Chairman & CEO*

You bet.

Operator

Thank you. I will now turn the floor back over to Management for closing comments.

David Brown - *Web.com - Chairman & CEO*

Thank you all for joining us to talk about our successful second quarter and the exciting news about our letter of agreement to acquire Network Solutions. We appreciate your interest and look forward to talking to you about further developments as the transaction progresses. As always, please feel free to contact us here at the Web.com, and we look forward to speaking with many of you as we hit the road to meet with our investors and prospective shareholders to discuss this exciting investment opportunity. Thank you and good night.

Operator

Thank you. This does conclude today's teleconference. You may disconnect your line at this time and thank you for your participation.
