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3Q 2015 Financial Results

October 29, 2015

web.com™

Forward-Looking Statements

This presentation 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, and 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: 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; 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 June 30, 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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Some of the measures in this presentation, including 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 filings with the Securities and Exchange Commission, which are available at www.sec.gov as well as in this presentation.

Agenda

- **Corporate Overview**

- Business Highlights
- Quarterly Financial Summary
- Operating Highlights



David Brown

- **Financial Review**

- 3Q 2015 Financial Performance
- 4Q & Full-Year 2015 Financial Guidance

- **Q&A**



Kevin Carney

3Q 2015 Business Highlights

Operating cash flow grew year-over-year by 40% to \$35 million

Reduced debt by \$20 million

**Repurchased \$11 million (\$52 million since authorization)
of stock as part of \$100 million buyback program**

Validated Do It With Me (DIWM) Offering

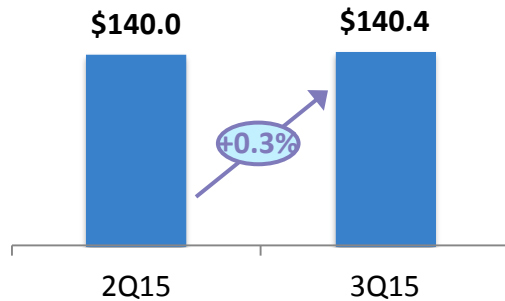
Do It With Me (DIWM)

	Do It Yourself "DIY"	Do It With Me "DIWM"	Do It For Me "DIFM"
Product	<ul style="list-style-type: none"> • Presence Website 	<ul style="list-style-type: none"> • Presence Website 	<ul style="list-style-type: none"> • Optimized & maintained website (SEO, directories, lead tracking, responsive website etc.,)
Website Delivery	<ul style="list-style-type: none"> • Customer creates with website builder 	<ul style="list-style-type: none"> • Customer creates with website builder with the help of a coach via chat, email & phone 	<ul style="list-style-type: none"> • Web.com professionals - Copyrighter, Designer, Quality Control
Maintenance & Ongoing Enhancements	<ul style="list-style-type: none"> • Customer 	<ul style="list-style-type: none"> • Customer 	<ul style="list-style-type: none"> • Web.com professionals - Copyrighter, Designer, Quality Control
Pricing	<ul style="list-style-type: none"> • \$20 - \$30 / Month 	<ul style="list-style-type: none"> • \$20 - \$30 / Month 	<ul style="list-style-type: none"> • \$125 / Month
<p>DIWM is an enhancement to DIY that improves the user experience through proactive coaching resulting in better websites, and more satisfied customers</p>			

- Began testing Q1 2015
- Introduced in hosting
- Experienced ~ 30% reduction in product churn
- Two tests underway – email & external marketing

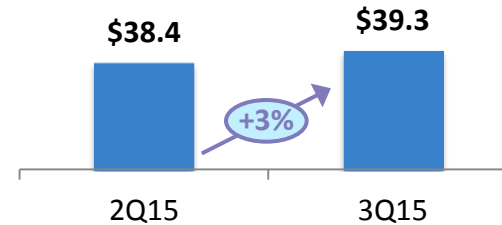
3Q 2015 Financial Highlights

Non-GAAP Revenue (\$mm)



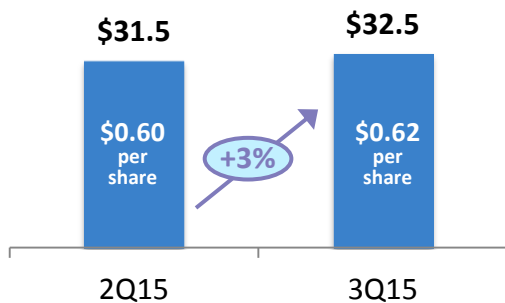
Above revenue guidance range

Adjusted EBITDA (\$mm)



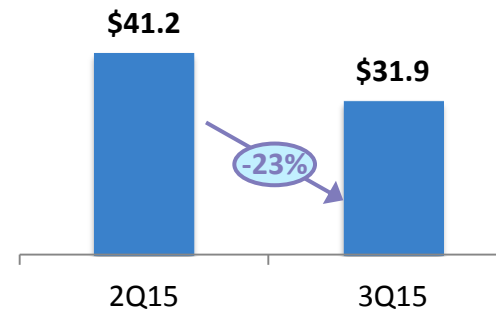
Represents 28% adjusted EBITDA margin

Non-GAAP Net Income (\$mm)



Above net income and EPS guidance range

Free Cash Flow (\$mm)



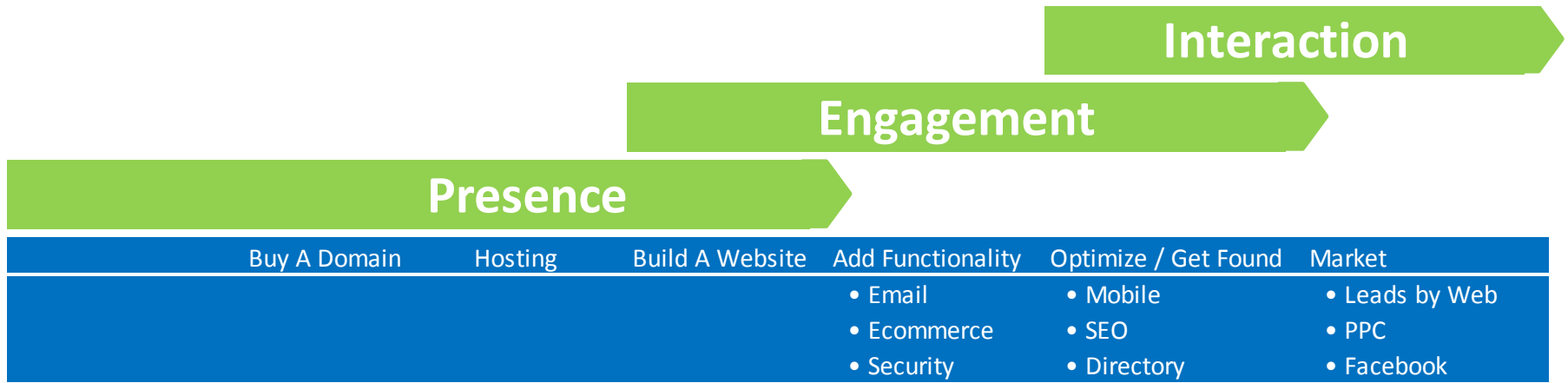
3Q cash flow used for buyback & to repay debt

3Q 2015 Operating Highlights



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

Web.com Strategic Positioning



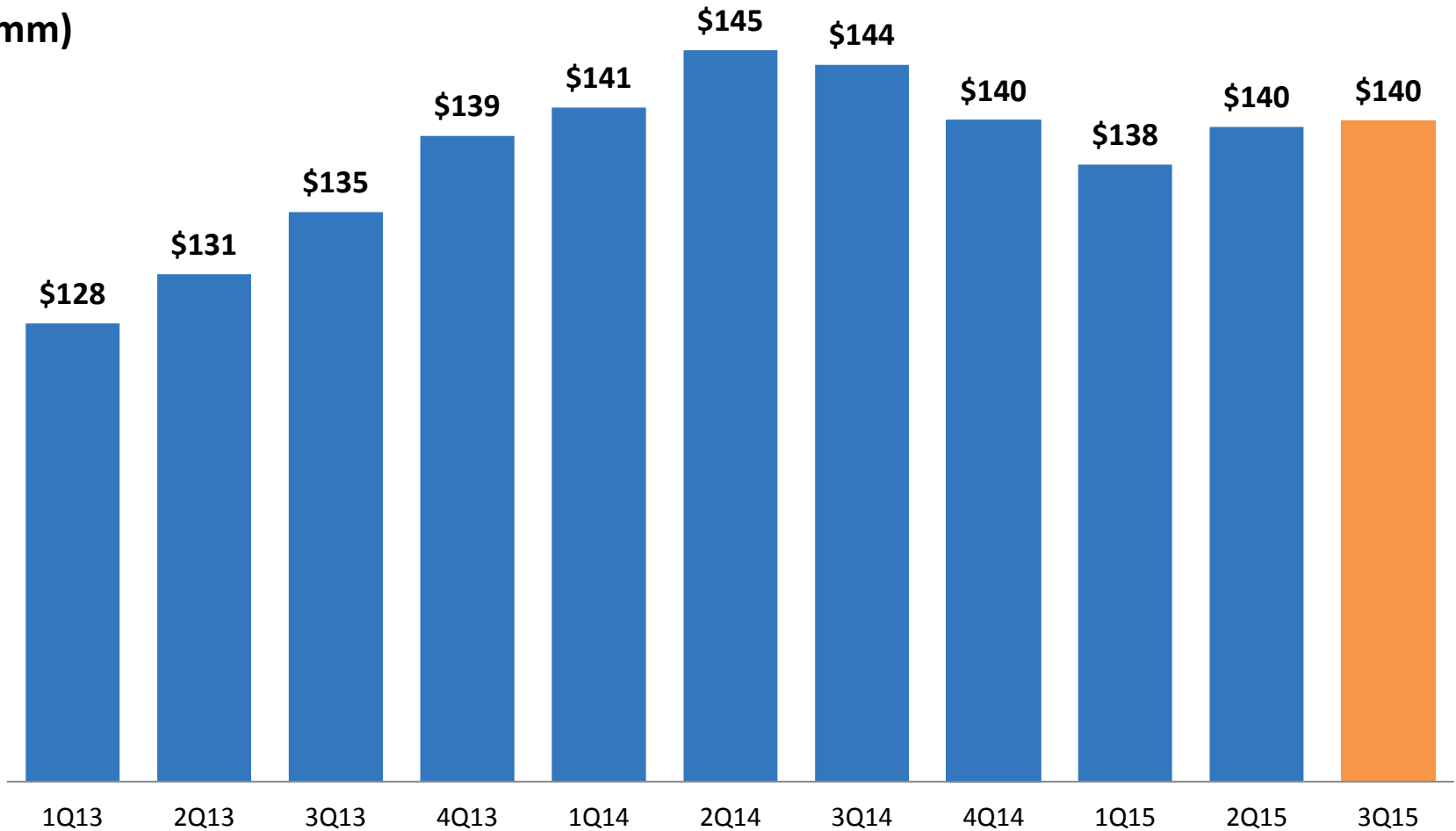
Product Delivery	DIY & DIFM	DIY/DIFM/DIWM	DIY/DIFM/DIWM	DIY/DIFM/DIWM	DIFM	DIFM
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Web.com Positioning	<ul style="list-style-type: none"> • DIWM & DIFM are unique in the market • Reliable feeder for new customers • Sticky, recurring and profitable revenue • Slowing growth and increasing competition 	<ul style="list-style-type: none"> • Web.com developed proprietary process to deliver high touch products & services economically • High growth, high ARPU, and less competitive • Market evolving in this direction (mass adoption)
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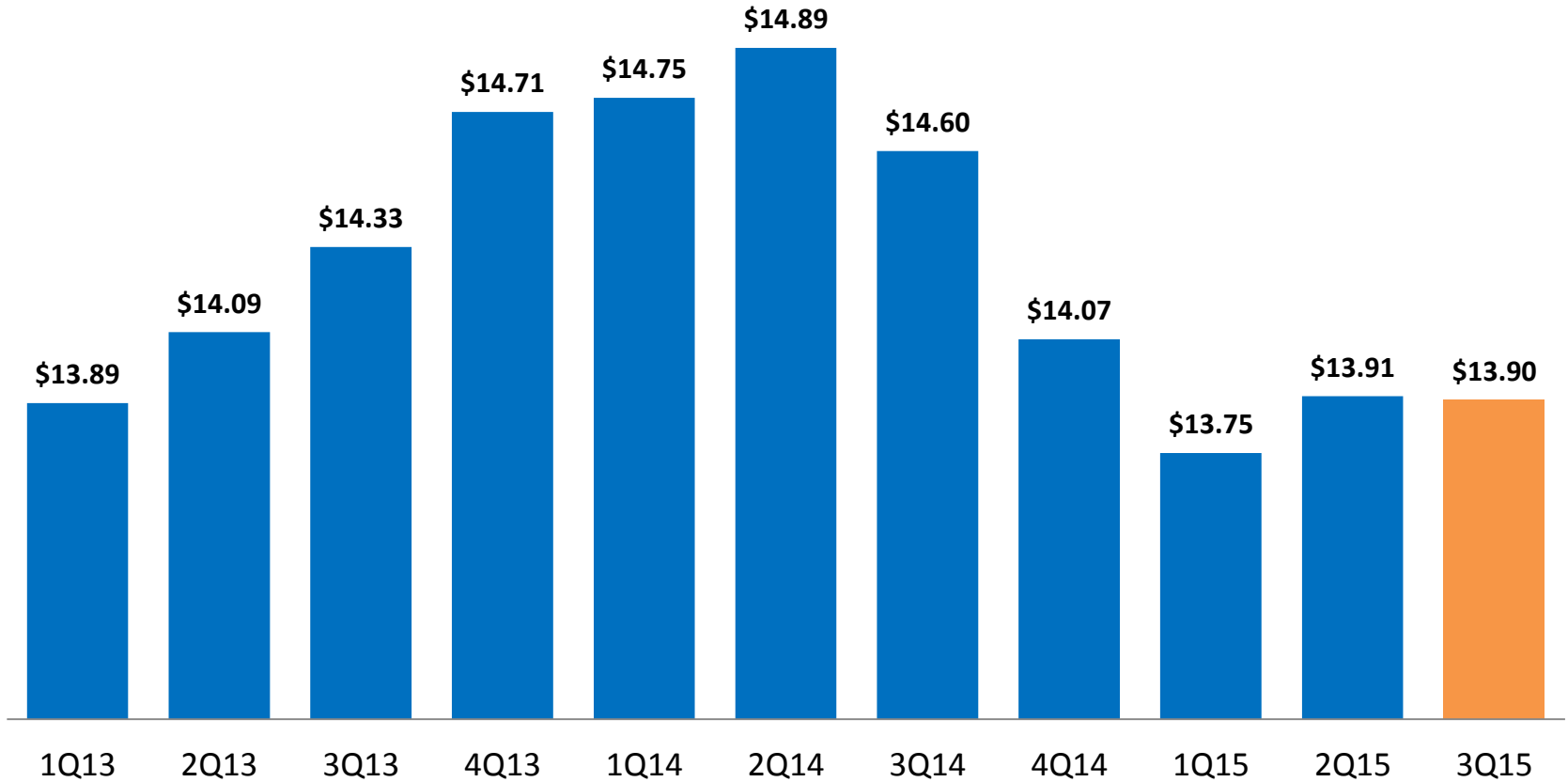
Web.com reaches small business through a portfolio of marketing channels and offers a wide variety of products and service levels depending on the needs of a small business as it evolves and grows.

Non-GAAP Revenue

(\$mm)



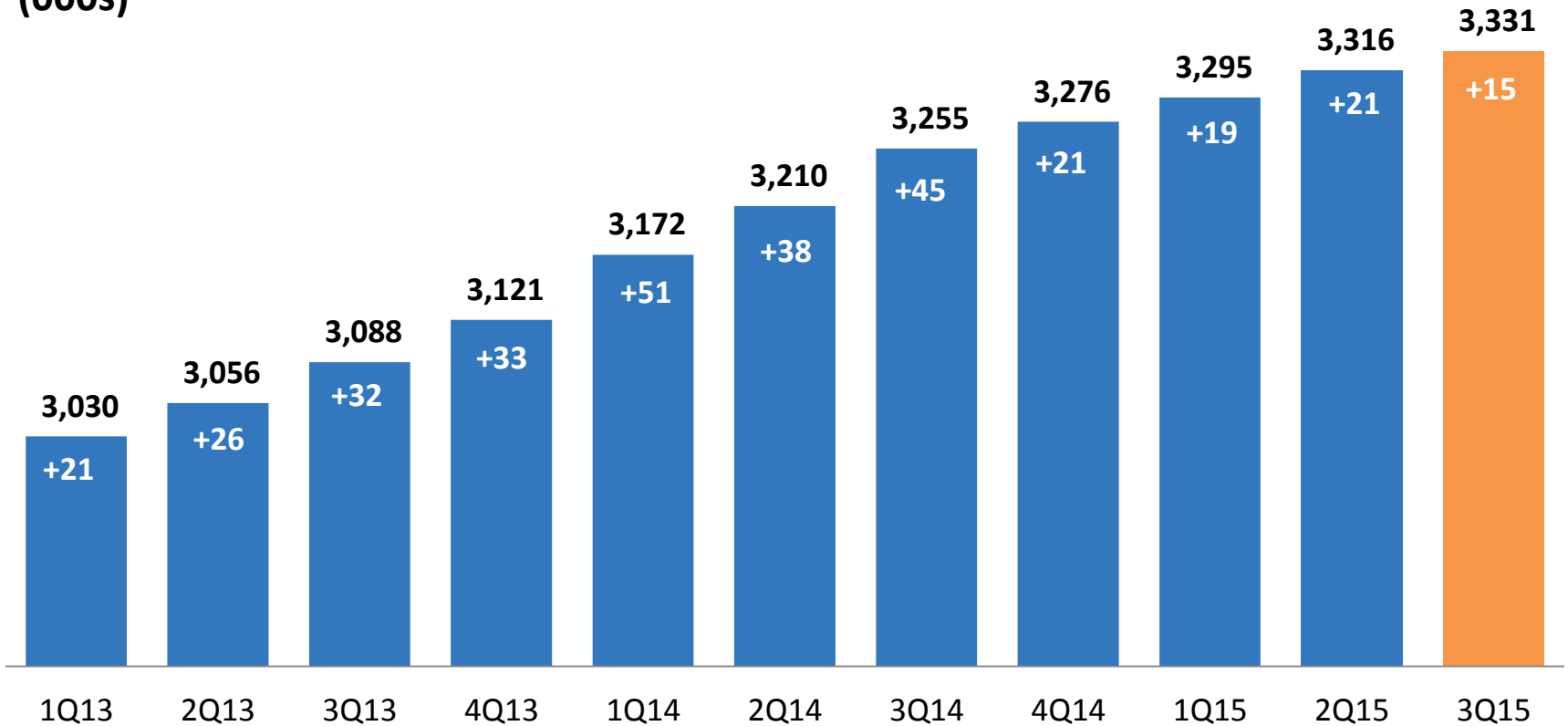
ARPU



Note: ARPU is calculated as Non-GAAP subscription revenue divided by the average number of subscribers for the period divided into a monthly average.

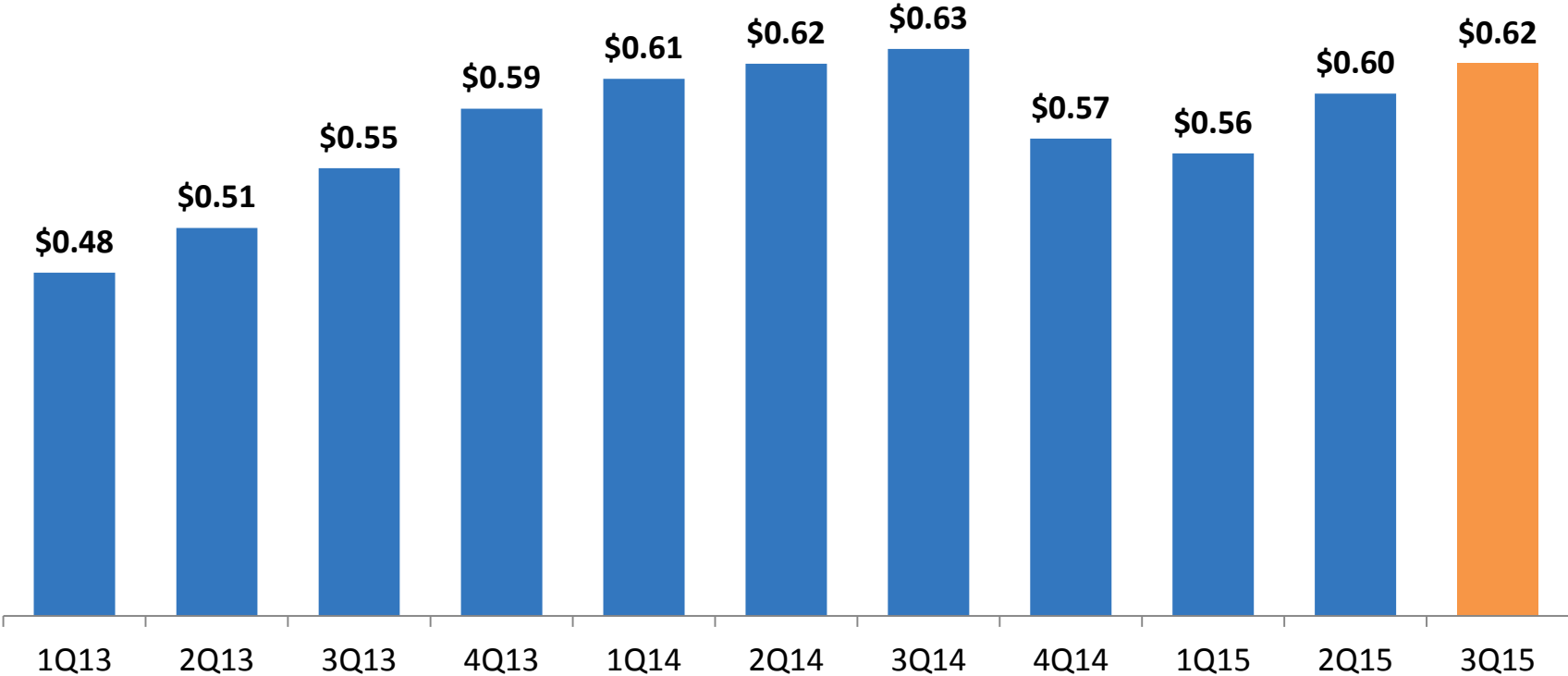
Net Subscriber Growth

(000s)

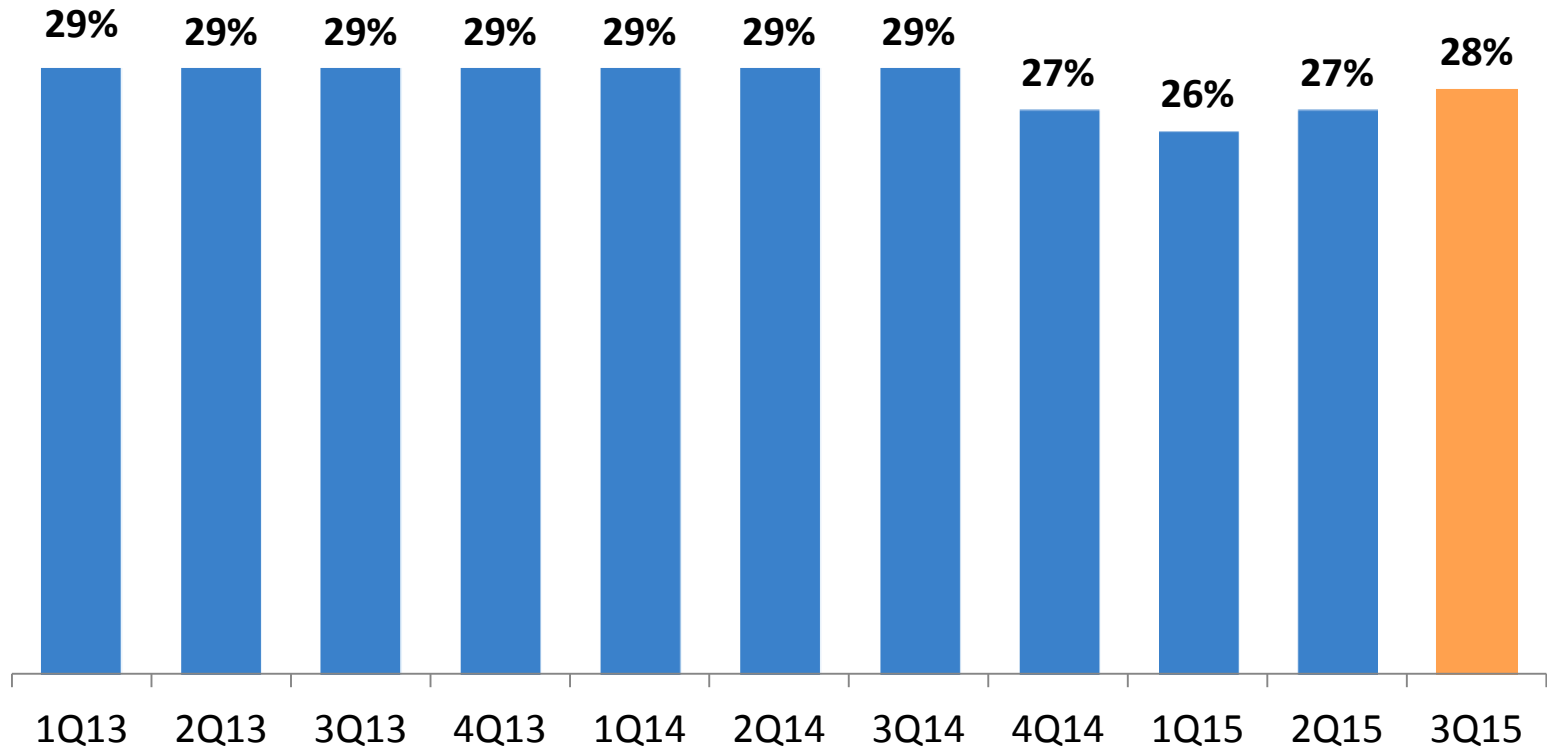


Note: 3Q14 net subscriber adds includes approximately 11,000 customers acquired as part of the Scoot acquisition

Non-GAAP EPS



Adjusted EBITDA Margin



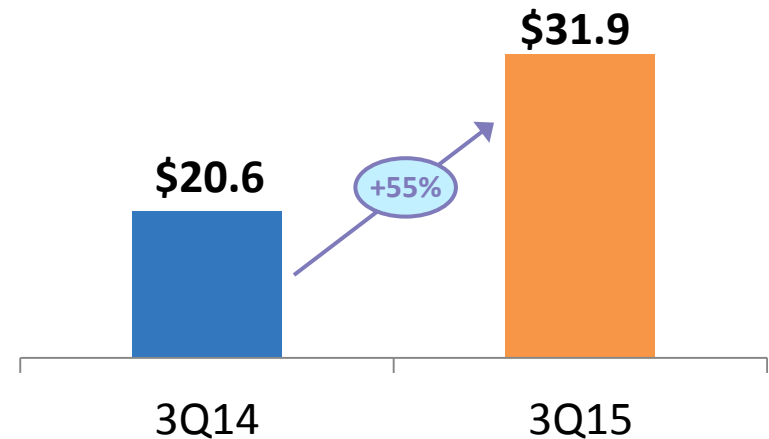
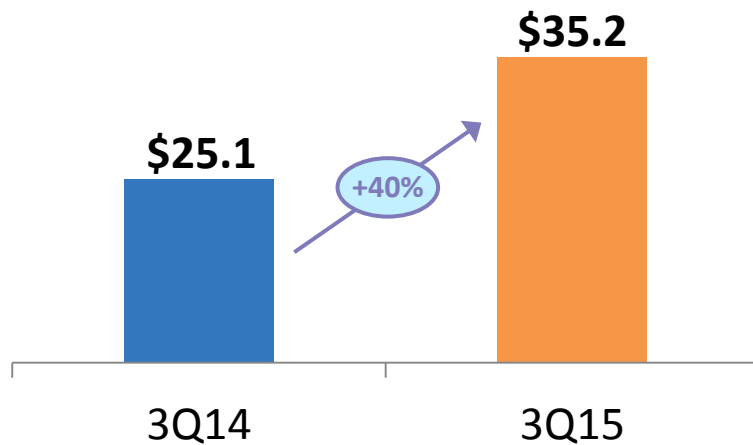
3Q 2015 GAAP Results

Revenue	\$136.8 mm
Gross Profit	\$90.4 mm
Income from Operations	\$16.7 mm
Net Income	\$6.1 mm
Diluted Net Income Per Share	\$0.12

Cash Flow Generation

Cash from Operations (\$mm)

Free Cash Flow (\$mm)



Summary Balance Sheet

(\$mm)

	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15
Cash	\$15.9	\$22.5	\$16.7	\$15.9	\$18.4
Accounts Receivable, net	\$20.6	\$16.9	\$17.2	\$14.3	\$13.2
Deferred Expenses	\$121.2	\$113.7	\$118.0	\$112.7	\$110.9
Debt (current & long-term)					
Term Loan	\$200.0	\$198.7	\$197.5	\$196.2	\$195.0
Revolver	\$109.0	\$94.0	\$77.7	\$49.0	\$30.2
Convertible Debt	\$258.8	\$258.8	\$258.8	\$258.8	\$258.8
Total Debt (Gross)	\$567.8	\$551.5	\$534.0	\$504.0	\$484.0
Less: Debt Discount (OID)	(\$47.0)	(\$44.2)	(\$41.5)	(\$38.7)	(\$35.9)
Total Debt (Net)	\$520.8	\$507.3	\$492.5	\$465.3	\$448.1
Deferred Revenue	\$405.4	\$402.7	\$413.4	\$414.5	\$411.9
Stockholders' Equity	\$189.6	\$174.1	\$164.7	\$163.2	\$165.2



3Q 2015 Financial Results

October 29, 2015

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Appendix

Reconciliation of GAAP to Non-GAAP Results

(in thousands, unaudited)

Reconciliation of GAAP revenue to non-GAAP revenue	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15
GAAP revenue	\$ 115,546	\$ 120,448	\$ 125,197	\$ 131,125	\$ 133,843	\$ 138,176	\$ 137,407	\$ 134,511	\$ 132,600	\$ 135,719	\$ 136,821
Fair value adjustment to deferred revenue	12,547	10,942	9,590	8,328	7,391	6,492	6,425	5,855	5,093	4,252	3,547
Non-GAAP revenue	\$ 128,093	\$ 131,390	\$ 134,787	\$ 139,453	\$ 141,234	\$ 144,668	\$ 143,832	\$ 140,366	\$ 137,693	\$ 139,971	\$ 140,368

Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for per share data) (unaudited)

Reconciliation of GAAP diluted net income (loss) per share to non-GAAP diluted net income per share	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15
Diluted shares:											
Basic weighted average common shares	48,085	48,670	49,243	49,770	50,334	50,809	51,234	51,295	50,872	50,362	50,035
Diluted stock options	2,134	2,539	3,502	3,305	3,546	3,250	2,166	1,623	1,354	1,800	1,907
Diluted restricted stock	681	558	810	826	703	507	381	342	266	273	370
Total diluted weighted average common shares	50,900	51,767	53,555	53,901	54,583	54,566	53,781	53,260	52,492	52,435	52,312
Diluted GAAP net income (loss) per share	\$ (0.97)	\$ (0.20)	\$ (0.12)	\$ (0.07)	\$ 0.01	\$ (0.02)	\$ (0.07)	\$ (0.17)	\$ 0.04	\$ 0.09	\$ 0.12
Diluted equity	0.06	0.01	0.01	0.01	-	0.01	0.01	0.01	-	-	-
Amortization of intangibles	0.33	0.33	0.32	0.30	0.29	0.30	0.31	0.23	0.19	0.19	0.18
Loss on sale of assets	-	-	-	-	-	-	-	-	-	-	-
Asset impairment	-	-	-	-	-	-	-	0.04	-	-	-
Stock based compensation	0.13	0.08	0.08	0.08	0.08	0.09	0.10	0.09	0.10	0.10	0.10
Income tax expense	0.29	0.07	0.02	0.03	0.03	0.07	0.08	0.22	0.07	0.10	0.11
Restructuring expense	-	-	-	0.03	-	-	-	-	0.01	-	-
Corporate development	-	-	-	-	-	-	0.01	-	0.01	-	-
Amortization of debt discounts and fees	0.01	0.01	0.03	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Cash income tax expense	(0.01)	-	-	-	-	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Fair value adjustment to deferred revenue	0.25	0.21	0.18	0.15	0.14	0.12	0.12	0.11	0.10	0.08	0.07
Fair value adjustment to deferred expense	0.01	0.01	0.01	0.01	0.01	-	-	-	-	-	-
Loss on debt extinguishment	0.38	-	0.02	-	-	-	0.03	-	-	-	-
Gain on sale of equity method investment	-	(0.01)	-	-	-	-	-	-	-	-	-
Diluted Non-GAAP net income per share	\$ 0.48	\$ 0.51	\$ 0.55	\$ 0.59	\$ 0.61	\$ 0.62	\$ 0.63	\$ 0.57	\$ 0.56	\$ 0.60	\$ 0.62

Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for percentages) (unaudited)

Reconciliation of GAAP operating income to adjusted EBITDA											
	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15
GAAP operating income	\$ (2,490)	\$ 1,913	\$ 4,457	\$ 6,363	\$ 9,545	\$ 10,352	\$ 9,261	\$ 8,506	\$ 11,149	\$ 14,935	\$ 16,733
Depreciation and amortization	20,040	20,301	20,339	19,165	19,239	19,793	20,349	15,398	13,744	13,849	13,846
Loss on sale of assets	(6)	87	55	-	-	-	-	-	-	-	-
Asset impairment	-	-	-	-	-	-	-	2,040	-	-	-
Stock based compensation	6,365	3,906	4,055	4,177	4,504	4,939	5,085	5,040	5,047	5,137	5,067
Restructuring expense	-	(32)	-	1,689	-	-	-	166	313	22	-
Corporate development	-	-	-	-	40	-	459	-	597	-	-
Fair value adjustment to deferred revenue	12,547	10,942	9,590	8,328	7,391	6,492	6,425	5,855	5,093	4,252	3,547
Fair value adjustment to deferred expense	454	408	367	333	301	269	242	215	191	167	147
Adjusted EBITDA	\$ 36,910	\$ 37,525	\$ 38,863	\$ 40,055	\$ 41,020	\$ 41,845	\$ 41,821	\$ 37,220	\$ 36,134	\$ 38,362	\$ 39,340

Reconciliation of GAAP operating margin to adjusted EBITDA margin

	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15	Q3/15
GAAP operating margin	-2%	2%	4%	5%	7%	7%	7%	6%	8%	11%	12%
Depreciation and amortization	16%	16%	14%	14%	13%	14%	14%	12%	10%	9%	9%
Loss on sale of assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Asset impairment	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
Stock based compensation	5%	3%	3%	3%	3%	3%	4%	4%	4%	4%	4%
Restructuring expense	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Corporate development	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value adjustment to deferred revenue	10%	8%	8%	6%	6%	5%	4%	4%	4%	3%	3%
Fair value adjustment to deferred expense	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted EBITDA margin	29%	29%	29%	29%	29%	29%	29%	27%	26%	27%	28%

Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for percentages) (unaudited)

Reconciliation of GAAP gross profit to non-GAAP gross profit	Three months ended September 30		Three months ended June 30,	
	2015	2014	2015	2014
Gross Profit	\$ 90,411	\$ 89,482	\$ 88,617	\$ 89,577
Fair value adjustment to deferred revenue	3,547	6,425	4,252	6,492
Fair value adjustment to deferred cost	147	242	167	269
Stock based compensation	467	523	512	535
Non-GAAP gross profit	\$ 94,572	\$ 96,672	\$ 93,548	\$ 96,873
Non-GAAP gross margin	67%	67%	67%	67%

Reconciliation of GAAP to Non-GAAP Results

(in thousands, except for percentages) (unaudited)

Reconciliation of GAAP operating income to non-GAAP operating income	Three months ended September 30		Three months ended June 30,	
	2015	2014	2015	2014
GAAP operating income	\$ 16,733	\$ 9,261	\$ 14,935	\$ 10,352
Amortization of intangibles	9,827	16,653	9,822	16,320
Stock based compensation	5,067	5,085	5,137	4,939
Restructuring expense	—	—	22	—
Corporate development	—	459	—	—
Fair value adjustment to deferred revenue	3,547	6,425	4,252	6,492
Fair value adjustment to deferred expense	147	242	167	269
Non-GAAP operating income	<u>\$ 35,321</u>	<u>\$ 38,125</u>	<u>\$ 34,335</u>	<u>\$ 38,372</u>

Reconciliation of GAAP operating margin to non-GAAP operating margin

GAAP operating margin	12 %	7 %	11 %	7 %
Amortization of intangibles	6 %	11 %	7 %	12 %
Stock based compensation	4 %	4 %	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>25 %</u>	<u>27 %</u>

Reconciliation of GAAP to Non-GAAP Results

(in thousands, unaudited)

Reconciliation of GAAP net income (loss) to non-GAAP net income	Three months ended September 30,		Three months ended June 30,	
	2015	2014	2015	2014
GAAP net income (loss)	6,094	(3,419)	4,550	(794)
Amortization of intangibles	9,827	16,653	9,822	16,320
Stock based compensation	5,067	5,085	5,137	4,939
Income tax expense	5,673	4,250	5,203	3,847
Restructuring expense	—	—	22	—
Corporate development	—	459	—	—
Amortization of debt discounts and fees	2,872	2,678	2,822	2,790
Cash income tax expense	(725)	(345)	(520)	(267)
Fair value adjustment to deferred revenue	3,547	6,425	4,252	6,492
Fair value adjustment to deferred expense	147	242	167	269
Loss on debt extinguishment	—	1,838	—	—
Non-GAAP net income	\$ 32,502	\$ 33,866	\$ 31,455	\$ 33,596

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		Three months ended June 30,	
	2015	2014	2015	2014
	Net cash provided by operating activities	\$ 35,159	\$ 25,107	\$ 45,488
Capital expenditures	(3,246)	(4,557)	(4,307)	(5,306)
Free cash flow	<u>\$ 31,913</u>	<u>\$ 20,550</u>	<u>\$ 41,181</u>	<u>\$ 31,836</u>

Revenue	Three months ended September 30		Three months ended June 30,	
	2015	2014	2015	2014
	Subscription	\$ 135,020	\$ 135,125	\$ 133,685
Professional services and other	1,801	2,282	2,034	2,132
Total	<u>\$ 136,821</u>	<u>\$ 137,407</u>	<u>\$ 135,719</u>	<u>\$ 138,176</u>

Stock based compensation	Three months ended September 30		Three months ended June 30,	
	2015	2014	2015	2014
	Cost of revenue	\$ 467	\$ 523	\$ 512
Sales and marketing	1,160	1,246	1,214	1,254
Technology and development	771	815	747	807
General and administrative	2,669	2,501	2,664	2,343
Total	<u>\$ 5,067</u>	<u>\$ 5,085</u>	<u>\$ 5,137</u>	<u>\$ 4,939</u>