UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number: 001-36904

GoDaddy Inc.
(Exact name of registrant as specified in its charter)

Delaware	**46-5769934**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

14455 N. Hayden Road
Scottsdale, Arizona 85260
(Address of principal executive offices, including zip code)
(480) 505-8800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	GDDY	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2020, the aggregate market value of the registrant's Class A common stock held by non-affiliates, based upon the closing sales price for the registrant's Class A common stock as reported by the New York Stock Exchange, was $12,208,091,402. For the purpose of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares beneficially owned by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances indicating that such stockholders exercise any control over our company. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of February 12, 2021, there were 169,576,674 shares of GoDaddy Inc.'s Class A common stock, $0.001 par value per share, outstanding and 499,962 shares of GoDaddy Inc.'s Class B common stock, $0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2020.

GoDaddy Inc.
Annual Report on Form 10-K
Year Ended December 31, 2020

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections titled "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, involving substantial risks and uncertainties. The words "believe," "may," "will," "potentially," "plan," "could," "should," "predict," "ongoing," "estimate," "continue," "anticipate," "intend," "project," "expect" and similar expressions conveying uncertainty of future events or outcomes are intended to identify forward-looking statements. These statements include, among other things, those regarding:

- our ability to continue to add new customers and increase sales to our existing customers;
- our ability to develop new solutions and bring them to market in a timely manner;
- our ability to timely and effectively scale and adapt our existing solutions;
- our dependence on establishing and maintaining a strong brand;
- the occurrence of service interruptions and security or privacy breaches and related remediation efforts and fines;
- system failures or capacity constraints;
- the rate of growth of, and anticipated trends and challenges in, our business and in the market for our products;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, including changes in technology and development, marketing and advertising, general and administrative and customer care expenses, and our ability to achieve and maintain future profitability;
- our ability to continue to efficiently acquire customers, maintain our high customer retention rates and maintain the level of our customers' lifetime spend;
- our ability to provide high quality customer care;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to grow internationally;
- the impact of fluctuations in foreign currency exchange rates on our business and our ability to effectively manage the exposure to such fluctuations;
- our ability to effectively manage our growth and associated investments, including our migration of the vast majority of our infrastructure to the public cloud;
- our ability to integrate acquisitions, including our recent acquisitions of Poynt Co. and the registry operations of Neustar Inc., our entry into new lines of business and our ability to achieve expected results from our integrations and new lines of business;
- our ability to maintain our relationships with our partners;
- adverse consequences of our substantial level of indebtedness and our ability to repay our debt;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to maintain or improve our market share;
- sufficiency of cash and cash equivalents to meet our needs for at least the next 12 months;
- beliefs and objectives for future operations;
- our ability to stay in compliance with laws and regulations currently applicable to, or which may become applicable to, our business both in the United States (U.S.) and internationally;
- economic and industry trends or trend analysis;
- our ability to attract and retain qualified employees and key personnel;
- anticipated income tax rates, tax estimates and tax standards;
- interest rate changes;
- the future trading prices of our Class A common stock;

NOTE ABOUT FORWARD-LOOKING STATEMENTS (continued)

- our expectations regarding the outcome of any regulatory investigation or litigation;
- the amount and timing of future repurchases of our Class A common stock under any share repurchase program;
- the length and severity of the novel coronavirus (COVID-19) pandemic and its impact on our business, customers and employees;
- the effectiveness of our June 2020 restructuring efforts;

as well as other statements regarding our future operations, financial condition, growth prospects and business strategies.

We operate in very competitive and rapidly-changing environments, and new risks emerge from time-to-time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report may not occur, and actual results could differ materially and adversely from those implied in our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements for any reason after the date of this report to conform such statements to actual results or to changes in our expectations, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context suggests otherwise, references to GoDaddy, we, us and our refer to GoDaddy Inc. and its consolidated subsidiaries, including Desert Newco, LLC and its subsidiaries (Desert Newco).

OUR RESPONSE TO THE COVID-19 PANDEMIC

In March 2020, the World Health Organization designated COVID-19 as a global pandemic. Since that time, governments across the world have mandated orders to slow the transmission of the virus, which, at times, have included "shelter-in-place" orders or quarantines. Additionally, significant restrictions have been placed on office work, travel and commercial activities, many of which are ongoing or have been reinstated as outbreaks emerge or re-emerge in areas across the world. Certain cities and countries have experienced improvement as a result of these mitigation strategies. However, significant uncertainty remains with respect to: i) the duration of the virus; ii) the widespread distribution and long-term efficacy of recently-developed vaccines and the availability of effective treatments; iii) the duration and parameters of governmental measures put in place to control the spread of the virus; and iv) the future economic impacts that will be sustained. Such uncertainty has caused volatility within the financial markets as well as had a significant negative impact on the global economic and operating environment, including the United States officially entering a recession in the second quarter of 2020.

We have implemented a variety of measures to ensure the availability and functioning of our critical infrastructure to promote the safety and security of our employees and to support the communities in which we operate. These measures include the cancellation of CloudFest and requiring remote working arrangements for nearly all of our employees as well as for our third-party GoDaddy Guides through at least the end of June 2021. We continue to follow the guidance of government leaders, as well as health experts, to best determine when to start bringing our employees back into the office. To date, incremental costs associated with these remote working arrangements have not been material. We also continue to commit significant resources to our #OpenWeStand movement to support small businesses dealing with the impact of COVID-19 and connect our customers with resources to help their businesses.

The pandemic exacerbated the challenges we face in U.S. outbound sales, specifically, soft customer demand for certain higher-priced, do-it-for-you services such as GoDaddy Social, and reduced the effectiveness of our U.S. outbound calling process. Given these challenges and the continued uncertainty surrounding the pandemic, we implemented a restructuring plan in June 2020 to address the sustainability of our U.S. outbound sales and operations, as further discussed in Note 13 to our financial statements.

Due to the evolving business environment and government orders, unprecedented market volatility and other circumstances resulting from this pandemic, including the impact on customer demand and employee productivity, we are currently unable to fully determine the extent of its impact on our business in future periods. The potential effects of COVID-19 could impact us in a number of ways including, but not limited to, reductions to our sales or profitability, less demand for certain of our products, the introduction of new laws and regulations affecting our business, fluctuations in foreign currency and interest rates, the availability and costs of future borrowings, increased credit risks of our customers and counterparties and potential impairment of the carrying value of goodwill or other indefinite-lived intangible assets. In particular, the current global economic slowdown has had a negative impact on subscriptions for certain of our higher-priced services. In addition, moving our GoDaddy Guides to work remotely has had a negative impact on that team's productivity and its generation of new sales and increased risk of a cybersecurity incident as individuals are working remotely and through a less secure network connection. We are actively monitoring the pandemic and any potential impacts it may have on our financial position, results of operations and cash flows in the future. Given the evolving health, economic, social and governmental environments, the continuing impact of COVID-19 on our business remains uncertain.

See "Risk Factors" for additional information on the risks we may face associated with COVID-19.

Part I.

Item 1. Business

Overview

Our vision is to radically shift the global economy toward independent entrepreneurial ventures. Our mission is to empower entrepreneurs everywhere, making opportunity more inclusive for all. We champion everyday entrepreneurs by empowering them with sage guidance set in seamlessly intuitive experiences to name, create, grow and manage their ventures. We do this all while activating the exponential power of our community at global scale to deliver profitable revenue growth. Our 20.6 million customers are passionate everyday entrepreneurs with vibrant ideas, who are determined to make their way in the world and to transform their ideas into something meaningful.

We are a leading provider of cloud-based solutions, delivering simple, easy-to-use products, and outcome-driven, personalized guidance to small businesses, individuals, organizations, developers, designers and domain investors, enabling our customers to name their venture, build their website, establish and manage their online marketing, sell their products and services and get branded email. This often starts with the most intimate of brand considerations—their domain name—and expands through our website building, hosting, social media, security, productivity and other services offerings. As our customers' entrepreneurial needs evolve, we provide applications and access to relevant third-party products and platforms, helping them connect to their customers and manage and grow their businesses. Our product offerings continue to evolve to meet the needs of our customers, and through the recent additions of GoDaddy Registry and Poynt, we now offer a high-performance back-end registry technology platform and a suite of payment systems, including point-of-sale systems.

What it means to be online has evolved from having a static website to a mobile-ready, responsive website integrated with social channels, search engines, reputation platforms and e-commerce marketplaces. Our customers need to integrate dynamic information across all of the places they engage with their audiences, including things like appointment availability, retail inventory, digital subscriptions and social media presence.

At GoDaddy, we believe our customers should have both great technology and great customer support. Engaging with our customers in a proactive, consultative way through personalized guidance via phone and digital experiences helps them knock down the technology hurdles they face. Through the thousands of conversations we have with our customers every day, we receive valuable feedback enabling us to continually evolve our products and solutions and respond to their changing needs.

Our people and unique culture have been integral to our success. We live by the same principles that enable our customers' ideas to survive and thrive: hard work, perseverance, conviction, an obsession with customer satisfaction and a belief that no one else can do it better. We take responsibility for driving successful outcomes which we believe has been a key factor in enabling our customer and revenue growth. We believe we have one of the most recognized Internet brands in the U.S. and our international awareness continues to rapidly increase as we have entered into new markets.

Our stable and predictable business model is driven by efficient customer acquisition, high customer retention rates and increasing lifetime spend. In each of the five years ended December 31, 2020, our customer retention rate exceeded 85%, and in 2020, our retention rate for customers who had been with us for over three years was approximately 93%. Additionally, as of December 31, 2020, we had 1.4 million customers who each spent more than $500 a year. We believe the breadth and depth of our product offerings and the high-quality guidance and responsiveness of our GoDaddy Guides builds strong customer relationships and are key to our high customer retention rate. In 2020, we generated $3,776 million in total bookings, up 11.0% from $3,401 million in 2019, and we generated $3,317 million of revenue, up 11.0% from $2,988 million in 2019.

Our Customers and Solutions

We built GoDaddy to serve our customers by providing elegant, easy-to-use cloud-based products on a single technology platform wrapped with personalized guidance.

Our Customers

We serve several customer populations: Independents, Partners, Domain Registrars and Investors, other Registrars and Corporate Domain Portfolio owners. While the products we provide to these populations overlap, we also seek to address the meaningful differences in their journeys, what they value, their ultimate goals and how they communicate with the rest of the world.

Our largest population is Independents, which are vastly micro-businesses and non-commercial endeavors. Independents have an entrepreneurial spirit, strong work ethic and, above all, passion for their ideas, yet their specific needs vary depending on the type and stage of their ideas. Independents range from individuals who have an idea and those thinking about starting a business, to established ventures needing help attracting customers, growing their sales, managing their presence or expanding their operations. Most Independents have fewer than five employees and most self-identify as having little to no technology or design skills. They need our help to create a unique and secure digital identity, especially the more technical aspects of their presence. While our customers have differing degrees of resources and technical capabilities, they all share a desire to find tools to help them bring their ideas to life, enhance connections with their audience and find new customers.

Our second largest population is our Partners, who are website designers and developers building websites on behalf of businesses and non-commercial organizations. We estimate that half of all website builds occur through a third party, such as our Partners, on a do-it-for-you basis. Our Partners are often freelancers, moonlighters or part of small website design agencies and often have website design as one of multiple streams of income. Our Partners generally have more technical acumen and look for tools that provide greater amounts of flexibility, such as the WordPress content management system (CMS). While Partners have a need for technical depth and flexibility, they also benefit from our simplicity and guidance as tools to increase their throughput and maximize the use of their time, including client-management tools. We help our Partners in a number of ways beyond our product suite and services, including tools for Partners to help them save time, make money and exceed client expectations. These client management applications make it easier for designers and developers to manage their clients' websites at any host, or on GoDaddy products such as Managed WordPress. Partners can easily manage their overall business with capabilities such as client billing, administrative access and shopping features, making it easier to buy and manage multiple products for their clients, as well as enhanced technical support and discounts for reselling GoDaddy products. We support a variety of control panels and content management tools favored by Partners including cPanel, Plesk, Drupal, Joomla and more. As one of the largest global hosts of WordPress sites, many of our recent investments have focused on extending our reach into the WordPress community.

Our third largest population is Domain Registrars and Investors. Domain registrars are organizations that have their own domain registration offerings, such as Amazon Web Services (AWS), but who use our domain registration and management platform. These commercial arrangements provide for strategic relationships with many key platforms, as well as enable further scale of our domain registration technology and insights. Domain investors are individuals and organizations who manage a portfolio of registered domains for the purpose of selling via secondary markets. These investors bring a unique and valuable resource to our business in the form of liquidity and the ability to help our other populations (Independents and Partners) successfully find the name they prefer.

Our Solutions

We have designed and developed an extensive set of easy-to-use cloud-based technology products enabling our customers to establish a digital presence, connect with their customers and manage their ventures. We understand our customers' needs vary depending on the type of customer and stage of their idea, which is why we offer our products both independently and bundled as suites of integrated products designed for specific activities. Crucial to our product philosophy is to provide value well in excess of the price we charge (known as consumer surplus), which often puts our products in a position of strength on functionality and at an affordable cost.

Our domain name registration products enable us to engage customers at the initial stage of establishing a digital identity and often is an on-ramp for our other products. We believe our hosting and presence and business applications products significantly improve our value proposition to customers, increase our revenue and margin growth opportunities, can serve as starting points for our customer relationships and improve customer retention. We have made significant investments in the localization of our service offerings, as 45% of our customers are located in international markets (notably Canada, India, the United Kingdom (U.K.) and Australia). And, while not a standalone product, our GoDaddy Guides consist of approximately 6,300 specialists worldwide who are available 24/7/365 and provide care to customers who have different levels of technical sophistication.

Domains

Every great idea needs a great name and GoDaddy is the leading global naming service. Staking a claim with a domain name is an integral part of establishing an idea and presence online. When inspiration strikes, we are there to provide our customers with high-quality search, discovery and recommendation tools as well as the broadest selection of domains to help them find the right name for their idea. Securing a domain is a key component to creating a complete digital identity and our domain products often serve as the starting point in our customer relationships. We are the global market leader in domain name registration, with more than 82 million domains under management as of December 31, 2020 and, based on information reported in VeriSign's Domain Name Industry Brief, we held over 22% of the approximately 371 million domain names registered worldwide as of September 30, 2020. As of December 31, 2020, approximately 88% of our customers had purchased a domain from us. In 2020, 2019 and 2018, we generated approximately 46%, 45% and 46% of our total revenue, respectively, from sales of our domain products. In addition, GoDaddy Registry provides a high-performance back-end registry technology platform with a portfolio of top-level domains including .biz, .co, .in, .nyc, and .us.

Our primary domains product offerings are:

Primary Registrations. Using our website or mobile application, we offer customers the ability to search for and register available domain names with the relevant registry. Our inventory for primary registrations is defined by the number of top-level domains (TLDs) we offer. As of December 31, 2020, 412 different generic TLDs (gTLDs), such as .com, .net and .org, and 56 different country code TLDs (ccTLDs), such as .de, .ca, .in and .jp., were available for purchase through GoDaddy. Since 2013, hundreds of new gTLDs have been launched, making it easier for companies and individuals to find and register new, easy-to-remember domain names tailored to their ideas, industry or interests. ccTLDs are important to our international expansion efforts as we have found international customers often prefer the ccTLD for the country or geographic market in which they operate. Our primary registration offering relies heavily on our search, discovery and recommendation tools which enable our customers to find a name matching their needs. We also sell domain registrations through relationships with third-party resellers and we provide back-end registry services supporting more than 215 TLDs.

Aftermarket. We operate one of the world's largest domain aftermarkets, which processes aftermarket, or secondary, domain name sales. Our aftermarket platform is designed to enable the seamless purchase and sale of an already registered domain name through an online auction, an offer and counter-offer transaction or a "buy now" transaction. We maintain a portfolio of more than 1.1 million domains, providing a diverse inventory available to our customers. Our GoDaddy Investor mobile application helps investors watch and bid on domains at auction and stay on top of their current bids, all from their mobile devices. We operate a cross-registrar network that automates transaction execution across registrars thereby reducing the time required to complete a transaction.

Domain Name Add-Ons. Domain name add-ons are features typically purchased concurrently with domain name registrations and have low costs associated with their delivery. In addition, where permissible, privacy features are included at no cost with every domain registered with GoDaddy. Domain names with this privacy feature are registered on an “unlisted” basis to help protect personal information, deter domain-related spam, and allow our customers to confidentially secure a domain for an unannounced product, service or idea.

Hosting and Presence

Bringing an idea to life online requires a presence. GoDaddy Websites + Marketing, Managed WordPress hosting and other GoDaddy offerings enable anyone to create an elegant website or e-commerce enabled online store, for both desktop and mobile, regardless of technical skill. Our products, powered by a unified cloud platform, enable our customers to get found online by helping to enhance the information on their website and extending their website and its content to where they need to be, from search engine results (e.g. Google) to social media (e.g. Facebook) to vertical marketplaces (e.g. Yelp), all from one location. For more technically-sophisticated web designers, developers and customers, we provide high-performance, flexible hosting and security products that can be used with a variety of open source design tools as well as Managed WordPress. We design these solutions to be easy to use, effective, reliable, flexible and at a great value. We offer a variety of hosting and presence products enabling our customers to create and manage their digital identity, or in the case of Partners, the digital identities of their end-customers. In 2020, 2019 and 2018, we derived approximately 36%, 38% and 38% of our total revenue, respectively, from sales of our hosting and presence products.

Our primary hosting products are:

Shared Website Hosting. The term "shared hosting" refers to the housing of multiple websites on the same server via the use of chroot environments. Shared hosting is our most popular hosting product. We operate, maintain and support shared website hosting in our owned and operated data centers and our leased co-located data centers using either Linux or Windows operating systems. We currently offer several tiers of shared website hosting plans to suit the needs and resources of our customers, a majority of which use industry standard cPanel or Parallels Plesk control panels. We also bundle our hosting plans with a variety of applications and products such as web analytics, SSL certificates and WordPress. WordPress is the most used content management application on our shared hosting platform.

Website Hosting on Virtual Private Servers and Virtual Dedicated Servers. Our broad range of virtual private server (VPS) and virtual dedicated server offerings allows our customers to select the server configuration best suited for their applications, requirements and growth. Our virtual private servers provide customers with a single virtual machine running on a single bare metal server that is running multiple other virtual machines for other customers. Our VPS product is designed to meet the requirements of customers with a need for greater control, more advanced technical capabilities and higher performance than that offered by our shared hosting plans. Our customers have the ability to tailor their virtual dedicated server plan based on a range of performance, storage, bandwidth and operating system needs.

Managed Hosting. With our managed hosting products, we set up, monitor, maintain, secure and patch software and servers for our customers. We offer a variety of managed hosting plans to support our customers' needs including multiple tiers of Managed WordPress hosting on a platform optimized for WordPress. We also offer other managed environments that span across our VPS and Dedicated products like Joomla, Drupal and Magento and apps like Gallery. In addition to managed hosting plans tailored to our customers' needs, we also offer expert services, which provide additional support services.

Security. Our security product portfolio is a comprehensive suite of tools designed to help secure our customers' online presence. The portfolio includes (i) PKI and SSL Certificates to help ensure information is secure between browsers and servers through encryption; (ii) the use of a CDN to improve a website's performance; (iii) a proprietary WAF to keep customers' websites safe from hackers; (iv) continuous monitoring providing the security state of customers' online presence at all times; (v) and a skilled team of security professionals providing incident responses in the event of a disruption in service.

Our primary presence products are:

Websites + Marketing. Websites + Marketing is an easy-to-use, do-it-yourself mobile-optimized online tool enabling customers, irrespective of their technical skills, to build effective websites and e-commerce enabled online stores. We offer a variety of plans, with pricing dependent on business and marketing features. With each of these plans, customers have access to vertically targeted professional designs which can be further customized using our editor by adding intent-driven sections, photos, videos or text. Our designs cover a wide range of categories with professionally written content for small businesses, organizations, families, weddings and other ideas. Our websites and our tools are all designed to work great on mobile devices, with a focus on performance, which is critical for websites to appear in search engine rankings.

Our Websites + Marketing product includes online appointments and online store capabilities allowing customers to transact business directly on their websites, and is optimized for mobile shopping and secure checkout via credit card, Apple Pay, Google Pay, Square or PayPal. Our online store allows customers to manage inventory and shipping, while online appointments manages staff availability and helps remind customers of appointments. Both are integrated into our social and email marketing tools, to help customers generate more business.

Marketing. Our Websites + Marketing product line includes a range of marketing tools and services designed to help businesses acquire and engage customers and create content. These capabilities are available in an integrated offering with our website and commerce tools, or as a stand-alone for customers using other website content-management systems. The tools are designed for busy customers who may lack experience with online marketing, focusing on ease of use, mobile experience and delivering business results. For example, Over, a mobile application we offer, allows our customers to grow their brands by easily creating impactful visual content for any platform online. Search Engine Optimization helps our customers get their websites found on major search sites using a simple step-by-step wizard with targeted recommendations on which search phrases are most likely to drive traffic to a customer's site. Business listings capabilities bring business information to where customers are looking, including Facebook and Google My Business. Email marketing lets people build targeted campaigns, either from scratch or using website or commerce content.

Social Media Management. GoDaddy Social provides customers with a complete "do-it-for-me" service for managing engagement on the most popular social networks. This service combines dedicated teams of branding experts – photographers, writers, designers, marketers – with proprietary technology to manage activity on Facebook, Instagram, Twitter and Yelp, among others, to help them acquire new customers and build stronger relationships with existing customers.

Business Applications

Our customers want to spend their time on what matters most to them, selling their products or services or helping their customers do the same. We provide them with productivity tools such as domain-specific email, second-line telephony, online storage and payment solutions to help run their ventures. We offer a variety of products designed to make the business of business easier for our customers. The products we offer include those developed in-house as well as third-party applications which we distribute and support, such as Microsoft Office 365. In 2020, 2019 and 2018, we derived approximately 18%, 17% and 16% of our total revenue, respectively, from sales of our business applications products.

Our primary business applications products are:

Microsoft Office 365. We offer fully-supported Microsoft Office 365 accounts that are easy to set up and use with our customers' domains. We offer Microsoft Office 365 in multiple plans ranging from email with calendar and contacts connected to a custom domain to a full suite of productivity tools, including file sharing and full desktop versions of Microsoft productivity applications, including Outlook, Word, Excel and PowerPoint. For customers wanting to protect their email data, we offer an email backup service, and for customers needing to comply with regulatory requirements, we offer email add-on services such as HIPAA-enabled email, encryption services (in partnership with ProofPoint), archiving services (in partnership with Barracuda) and advanced e-mail security. We help make Microsoft Office 365 installation easy, allowing customers to get up and running in minutes, including "do-it-for-me" migrations services to move customers' existing email data to Office 365 accounts

Email Accounts. We offer a range of email service plans with a multi-feature web interface that connects to our customers' domains. The pricing of these plans depends on the customer's desired amount of storage and number of email addresses. All of our email accounts are advertising-free and include security functionality designed to provide protection from spam, viruses and other forms of online fraud, such as phishing.

Email Marketing. Our email marketing product helps customers market their businesses through permission-based email. Customers can easily create and send newsletters, targeted advertising campaigns, promotions and surveys as well as connect email campaigns with their social media networks and track the results of campaigns.

Telephony. We provide Internet-based telephone services that can be accessed with either IP phones, traditional local or cellular telephone services. In 2017, we launched our SmartLine plan, which includes a virtual number phone and mobile application, enabling customers to have two numbers on one phone to separate their business communications from personal communications. All of our plans allow customers to make and receive phone calls, send/receive text and MMS messages using their SmartLine number and chosen caller ID. In addition, SmartLine offers customers a range of minutes and texts, a local or toll-free number and a mobile application to manage the service, as well as voicemail, voicemail transcription, email delivery of voicemail, customized business greetings, business hour settings and the ability to block unwanted callers. We also offer single and multi-line VoIP phone systems, IP-enabled phones, virtual phone numbers, virtual receptionist services, customizable phone tree, follow-me call forwarding and fax-on-demand.

Our Opportunity and Advantages

Our Opportunity—Empowering the Everyday Entrepreneur

Our customers represent a large and diverse market that we believe is largely underserved by other Internet companies. According to the U.S. Small Business Administration, there were approximately 30.8 million small businesses in 2016. Based on data from the 2016 U.S. Census Bureau and the U.S. Small Business Administration, over 90% of small businesses have fewer than five employees and approximately 25 million, or over 76%, of small businesses were non-employer firms. Furthermore, the Kauffman Index of Entrepreneurial Activity Report estimated that in 2017 there were approximately 540,000 new business owners created each month in the U.S. Around the world, there are more than 500 million micro, small and medium enterprises, according to a study performed by the International Finance Corporation and McKinsey Company (defined as one to 250 employees) worldwide. We believe our addressable market extends beyond small businesses and includes individuals and organizations, such as universities, community organizations, charities and hobbyists.

Our customers are consumers themselves, which makes them keenly aware of the need to have an impactful online presence. While our customers' needs change depending on where they are in their journey, the most common customer needs we serve include:

- **Showing up, looking great**. Our customers want to develop an online presence by finding a name that distinctly identifies their business, hobby or passion. We believe their digital identity includes not just an elegant, mobile-enabled website, but the ability to get found across various search engines, social media platforms and vertical marketplaces. And while our customers' online identities start with creating and managing these points of presence, their identities are amplified through content generation and the ability to engage and transact online with their customers and audience.
- **Getting found in all the right places**. What it means for our customers to be online continues to evolve. Today, having an effective online presence often means having a combination of: (i) a secure and content-rich website viewable from any device; (ii) presence on social media channels (e.g. Instagram, Facebook, WhatsApp and WeChat); (iii) search engines (e.g. Google) and an increasing number of horizontal marketplaces (e.g. Yelp and Eventbrite); (iv) vertical marketplaces (e.g. Zillow, OpenTable and HomeAdvisor); and (v) e-commerce platforms (e.g. Amazon, eBay, Etsy).
- **Interacting with customers as they grow their business.** Our customers need to communicate with their existing customers and find new ones across a landscape that is fragmented in both form and function. They have distinct needs in (i) branded email communication, originating with domain registration and email creation through an email client; (ii) online marketing in a variety of content types and channels; (iii) online commerce with reservation and scheduling, product catalogs and e-commerce and payment processing capabilities, including in-person point-of-sale payment processing; (iv) messaging capabilities across SMS, Facebook Messenger, WhatsApp and others; (v) email marketing for audience engagement; and (vi) telephony, for inbound and outbound voice communication. Surrounding these channels and tactics, our customers also need easy-to-use tools to run their businesses.
- **Technology that is reliable, secure, performant and evolves with their needs.** Our various customer types need a simple platform and set of tools enabling their domain, website, marketing and other solutions to easily work together as their ideas grow and become more complex. The right platform can meet the needs of entrepreneurs, who may not be technologically savvy, and our Partners, who have more complex requirements, as well as all the customers in between that have a range of needs and sophistication. All the while, our customers expect reliable products and want to be confident their digital presence is secure, even as they insert customization that can create vulnerabilities. Our customers work on their ideas whenever and however they can and need solutions fitting their lifestyle and schedule.
- **Connecting with a real person when they need help.** Our customers sometimes need guidance to set up a website, launch a new feature or try something new. They need real people who are available 24/7/365 and in the manner that works best for them, whether by phone, by chat or in community forums. In addition to guiding our customers along the way, we also provide support by handling the most difficult and arduous tasks for them through a collection of managed service offerings.
- **Affordable solutions**. Our customers often have limited financial resources and are unable to make large, upfront investments in the latest technology. Our customers need affordable solutions to level the playing field with the tools to look and act like bigger ventures.

Serving these customer needs creates a deep relationship, where we are looked to as not just a solution provider, but also a guide and partner to their entrepreneurial journey. This makes for a favorable business and economic model, aligning the interests of GoDaddy and our customer.

Our Advantages

Our customers have many roles in their venture; they simultaneously run marketing, accounting, service delivery operations, customer service, people operations and many other tasks. Time is their most valuable resource and complexity is their hindrance; they want an impactful online presence, but may not have the time and skills to make that happen. Our goal is to be a trusted partner to these entrepreneurs, bringing together the technology, ease of use and care necessary to bring their ideas to life online. Therefore, we believe the following strengths provide us with competitive advantages in serving their needs:

Seamlessly Intuitive Experiences. Our customers often self-identify as non-technical and inexperienced in a variety of areas like marketing, content creation and customer management. Because they may lack the expertise to take full advantage of powerful tools, customers may be overwhelmed as they attempt to bring their idea online.

We believe that the antidote to this complexity is to radically simplify our solutions and services into seamlessly intuitive experiences. GoDaddy has the two leading website building CMSs with Managed WordPress and Websites + Marketing. With Managed WordPress, we dramatically reduce the complexity in provisioning, managing and customizing the WordPress CMS. We do this by wrapping the WordPress CMS with our own security tools (web application firewall (WAF), content delivery network (CDN) and secure sockets layer (SSL)), design tools, plugin pre-installs at initiation and automatic, managed updates. In Websites + Marketing, our own captive CMS, we incorporate seamlessly intuitive experiences by uniting marketing, content, commerce and customer management tools into a single experience.

We also seek to leverage data and insights to personalize the products and experiences of our customers as well as tailor our solutions and marketing efforts to each of our customer groups. We are constantly seeking to improve our website, marketing programs and customer care to intelligently respond to where customers are in their lifecycle and identify their specific product needs. This allows us to interact more frequently with our customers. We intend to continue investing in our technology and data platforms to further enable our personalization efforts.

Sage Guidance. Our customers deeply value expertise and know-how, which has been part of the GoDaddy DNA through our GoDaddy Guides since our founding. Our customers' needs are highly individualized and unique to their ventures, which makes operating a guidance experience – at scale – a substantial form of differentiation.

In recent years, we've extended this competency into a number of new interfaces and subject matters, which are taking the insights gained from inbound calls and inserting them tactically into places that are driving higher engagements with GoDaddy. For example, within our Websites + Marketing platform, we are now creating custom, tailored action plans for our customers as they seek to market their business in a number of different channels based on the type of venture they have and their geography. Additionally, our Websites + Marketing platform has recently launched an in-editor chat experience with our GoDaddy Guides, who are able to strategically assist our customers through aesthetic decisions and help them when they hit speed bumps. And finally, we have significantly increased the passively-engageable content available to our customers, through a number of different content forms and across platforms like YouTube and Instagram.

Activating our Community. GoDaddy is one of the largest aggregations of paying small businesses and ventures in the world, with a wealth of diversity across verticals, life stages, sophistication and geographies. Our customers gain a lot when they're able to learn from one-another's experiences and benefit from each other's skills, but the challenge is that the exchange of information is cumbersome. We aim to activate our community and lower the barriers for connection, for the betterment of our customers. This occurs in discreet areas of our business today – such as in our domain aftermarket and GoDaddy Websites + Marketing's InSight platform – and it is something we're investing in for the future.

Operations

Human Capital

Our people embody the same grit and determination as our customers. Our world-class engineers, designers, marketers and GoDaddy Guides share a passion for technology and its ability to change our customers' lives. We value hard work, extraordinary effort, living passionately, taking intelligent risks and working together toward successful customer outcomes. Our relentless pursuit of doing right for our customers has been a crucial ingredient of our growth.

As of December 31, 2020, we had 6,621 employees worldwide, including 3,368 GoDaddy Guides, 1,897 in technology and development, 544 in marketing and advertising and 812 in general and administrative. In addition to our employees, approximately 3,000 GoDaddy Guides located primarily in China, Colombia, India, Mexico, the Philippines and Spain who are directly employed by third-party partners are dedicated to GoDaddy on a full-time basis. Substantially all of our employees are based in the U.S. and Europe. None of our employees is represented by a labor union or are party to any collective bargaining agreement in connection with his or her employment with us; however, certain of our employees in Germany are represented by an employee works council pursuant to local regulations.

We actively work to attract a diverse employee population. We are committed to providing equal opportunity in all aspects of employment and will not tolerate any discrimination, harassment or retaliation. We actively work to educate our employees and managers on recognizing unconscious bias and received perfect scores on the 2019, 2020 and 2021 Corporate Equality Index administered by the Human Rights Campaign Foundation. Additionally, we publish annual diversity and pay equity data and have achieved our goal of paying men and women in similar jobs at parity across the Company for six consecutive years. In addition, in 2020, we began publishing pay equity data for different ethnic groups within our U.S. workforce, and we have achieved pay equity between U.S. based minority and non-minority employee populations. We maintain several Employee Resource Groups to drive sponsorship, advocacy, and representation for diverse employee groups, especially those that are historically underrepresented. We are committed to making progress towards increasing workforce diversity in both technical and non-technical roles.

We are committed to providing fulfilling career development opportunities for our employees. To support this goal, we conduct regular performance reviews focused on career development for all full-time employees. Additionally, we conduct an annual GoDaddy Voice employee survey to monitor employee satisfaction and to ensure that they feel connected and engaged with GoDaddy's mission, our customers and their own teams.

GoDaddy Guides

We have approximately 6,300 GoDaddy Guides who provide technical assistance 24/7/365 to customers located around the world. Our industry-leading specialists use a consultative approach to advise customers of products best suiting their individual needs. This ability to provide real-time product suggestions while providing a world-class support experience allows our GoDaddy Guides to provide an impactful contribution to bookings through the sale of product subscriptions. Approximately 12%, 16%, and 17% of our total bookings in 2020, 2019 and 2018, respectively, were generated from the sale of product subscriptions by our GoDaddy Guides. Our latest merchandising strategies, such as free trials and an increased mix of monthly product subscriptions, drove more renewal billings to our website and away from the GoDaddy Guides during 2020, which we expect to continue in the future.

Our GoDaddy Guide team operates through a variety of channels to provide tailored and timely support to our customers, handling approximately 19 million contacts in 2020. Our customers can choose their preferred guidance channel, including proactive and reactive chat and phone support. In 2020, we expanded these channels to include WhatsApp, WeChat and SMS offerings, as well as in our digital product experiences, where we provide consultative engagements.

As of December 31, 2020, we offered localized products and guidance in over 50 markets. The majority of our GoDaddy Guides are located in our Arizona and Iowa facilities in the U.S. We have additional international specialists providing in-region support in native languages. In addition, our easy-to-use website contains extensive educational content designed to demystify the process of establishing an online presence and to assist customers in choosing the products best meeting their needs. We also provide a variety of online tutorials through blogs and other services including The GoDaddy Garage Blog and third-party sites like YouTube.

The strength of our GoDaddy Guides is our people. Our hiring process is extensive and highly selective, designed to yield individuals who will thrive in our team based on core values, character, work ethic and ability. Our new GoDaddy Guides spend over a month moving from classroom to a live "nesting" environment where they refine their customer and technology skills. With a commitment to life-long learning, we offer extensive classes to our employees spanning leadership, sales, service and technology. Our incentive program rewards outcomes, across both customer satisfaction and bookings goals. For these and many other reasons, as of December 31, 2020, approximately 44% of our GoDaddy Guides had been with us for at least three years.

Technology and Infrastructure

Our products, customer experiences and business systems are enabled by our technology and infrastructure, to ensure scalability, security and flexibility. Technology and development expenses, including those expenses related to our technology platform, were $560 million, $493 million and $434 million in 2020, 2019 and 2018, respectively. During the five years ended December 31, 2020, we invested to support our growth with $2,131 million in technology and development expenses. The growth in our technology and development expenses has been driven primarily by our focus on product development to provide software-driven product experiences such as our website building suite, security, commerce, email, domain aftermarket and continued innovation in our domain registration and hosting offerings, among others. Additionally, we offer Domain Registry and Corporate Domains solutions to our customers. We have built a scalable infrastructure platform allowing us to optimize for economies of scale and enable next-generation hosting architecture for our customers, while investing in faster, denser and more efficient data centers, improved network connectivity and improved resiliency, both domestically and internationally.

We provide a reliable and secure global platform and infrastructure. Our investments in technology, including engineers, patents, online security, customer privacy, reliable infrastructure and data science capabilities, enable us to innovate and deliver personalized solutions to our customers. Our API-driven technology platform is built on state-of-the-art, open source technologies like Hadoop, OpenStack and other large-scale, distributed systems. Additionally, our platform allows our developers to create new and enhanced products or product features assembled from common building blocks leading to faster deployment cycles. We believe our products work well together and are more valuable and easier to use together than had our customers purchased them individually from other companies and tried to integrate them. As of December 31, 2020, we had 1,897 engineers, 314 issued patents and 102 pending patent applications in the U.S.

Physical Infrastructure and Management

Our physical technology infrastructure supports our products, experiences and business systems through servers located in data centers around the world. As the world's largest manager of DNS traffic and a leading website hosting platform, we have invested significantly in our peering architecture and underlying infrastructure management to handle high IP transit traffic at low bandwidth costs. We have invested in the automation of common physical data center components like servers, load balancers, switches and storage and we use open source solutions when possible to automate manual processes and thereby reduce the risk of human error and lower costs. Additionally, we are beginning to use a single automated infrastructure based on OpenStack to enable next-generation services. In 2018, we announced a partnership with AWS as we begin to migrate our internal infrastructure into the cloud over the next 5-7 years, which will accelerate our ability to provide speed and reliability in both our product experiences and our customers' hosting instances. These efforts and our large technology infrastructure footprint allow us to scale and provide our customers with valuable products at affordable prices.

Customer Experience and Business Systems

Our platform provides our customers fast, simple and customer-centric products across the globe, by allowing us to easily and quickly build and deploy new products incorporating our data insights. Our investments in our platform capabilities include the following:

E-commerce Platform and Application Services. While we continue to use our existing platform, we have developed and begun to implement a new e-commerce platform. We expect this new platform to enhance our value proposition to our customers by offering comprehensive, flexible and integrated solutions that can be rapidly scaled up or down, used across multiple platforms and integrated with third-party offerings. Both our existing and new platforms also allow resellers to easily sell our products, thereby broadening our distribution channels. We seek to continuously launch new and relevant applications and streamline our existing offerings in order to provide the best user experience to our customers.

Data Platform. Our horizontal data platform helps us to be a trusted source of data about our customers and their online ideas through accurate, meaningful and easily consumable data insights, which allows us to build best-in-class, personalized experiences for our customers. Our data platform is key to helping us deepen our customer and business insights; these insights enable innovation through instrumentation, experimentation and analysis.

Content and Marketing Platform. Our content and marketing platforms leverage the latest tools, technology and operational and production models that enable us to deliver customer-centric digital experiences at an accelerated pace through multiple touchpoints and channels. Our content platform and content creation processes help us realize efficiencies and scalability, which enhance our ability to drive new, high quality products and customer experiences to market faster. We are focused on driving advancements in experimentation, the speed and volume of content creation, localization and content self-service, while ensuring platform availability and performance. We are also delivering new engagement marketing capabilities that improve business effectiveness and customer experiences.

Enterprise Operations. We recently implemented an enterprise resource planning (ERP) platform across our human capital management operations and financial and procurement operations; we continue to make improvements to these systems as needed.

Product Development

We have invested heavily in our product development teams as we have expanded the ways we serve our customers to adjust to their changing needs from primarily domain name registration and hosting to a broader spectrum of offerings. Our primary website building products (Websites + Marketing and Managed WordPress), security suite, email offerings (Microsoft Office 365, Workspaces and Open X-change), commerce and domain aftermarket each represent significant need states that are complementary to our long-standing offerings and benefit from our strengths as a company in human-infused technology. Our product development investments have grown at a significantly higher rate than our physical infrastructure and business system expenses, reflecting our expanding role in enabling our customers' success with a powerful digital presence. Our key product development initiatives include:

Powering Elegant and Effortless Presence. We offer a range of products and services that help our customers get their ideas online. Websites + Marketing combines a mobile-optimized website builder with an integrated set of marketing and e-commerce tools to help our customers create an audience for their idea or business, enabling them to design a professional website in under an hour. We continue to invest in Websites + Marketing and other tools, templates and technology to make building, maintaining and updating a professional looking mobile or desktop presence simple and easy. In 2018, we introduced GoDaddy Social, a set of social media management tools through our acquisition of Main Street Hub, which help our customers develop, maintain and own their social media brand and reputation as well as interact with their customers. Additionally, we are investing in products to help our customers drive their customer acquisition, retention and communication efforts by managing their presence across search engines, social networks and vertical marketplaces and keep their online presence and information secure.

Making the Business of Business Easy. Our business applications range from domain-specific email and email marketing to telephony services and payment tools to help our customers communicate with their customers and grow their ideas. We intend to continue investing in the breadth of our product offerings to help our customers connect with their customers and run their ventures.

Delivering the Next Generation of Naming. The first generation of naming included a limited set of gTLDs, such as .com and .net, and ccTLDs, such as .uk and .in. Hundreds of new gTLDs have been introduced in recent years, expanding the available inventory for us and our customers. Through GoDaddy Registry, we operate back-end registry management for more than 215 TLDs. Additionally, we have invested to expand the secondary market to help match buyers to sellers who already own domains. Our GoDaddy Investor mobile application helps investors watch and bid on domains at auction and stay on top of current bids from their mobile devices. We continue to invest in search, discovery and recommendation tools and transfer protocols for both primary and secondary domains.

Partnering up. Our flexible platform also enables us to acquire companies and quickly launch new products for our customers, including through partnerships such as Microsoft Office 365 for email and PayPal and Square for payments. We have also acquired companies and technologies to complement our product and service offerings and expand our geographic footprint. We intend to continue identifying value-added technology acquisition targets and partnership opportunities.

Marketing

We believe GoDaddy is one of the most recognized Internet brands in the U.S. with increased awareness globally. We have established this high level of brand awareness primarily through our advertising campaigns across various platforms including television commercials, print, online and billboards, and have supplemented these advertising campaigns with athlete, celebrity sponsorships and social media influencers. Over the five years ended December 31, 2020, we have invested $1,558 million in marketing and advertising expenses. Our strong brand has helped us attract and retain 20.6 million customers as of December 31, 2020. We intend to continue investing in our brand as we seek to further grow our total customers, particularly internationally. Customer referrals are another highly efficient and cost-effective channel for acquiring customers.

We complement our brand marketing efforts with focused and metric-driven direct response marketing to acquire new customers. We use a variety of targeted online marketing programs for lead generation, including search engine marketing, search engine optimization and targeted email and social media marketing campaigns, as well as more traditional direct marketing and indirect channel partner marketing programs, to drive interest in our products and traffic to our websites. As part of this effort, we regularly run numerous campaigns simultaneously and constantly refine our media mix across our channels.

Central to our international strategy is a philosophy of localizing our product offerings and customer experience and deploying them through our global infrastructure. As of December 31, 2020, we had over 9.4 million customers outside of the U.S. and derived approximately 32%, 33% and 35% of our total bookings from international sales in 2020, 2019 and 2018, respectively. We have built a dedicated team responsible for the internationalization and localization of our core product offerings as well as our customer care and marketing efforts, including through our acquisition of Host Europe Group in 2017.

In conjunction with our localization efforts, we added on-the-ground regional teams and increased our country and regional specific marketing spend. These investments have enabled us to successfully launch and expand our business outside the U.S. and as of December 31, 2020, we provided localized products and customer care in over 50 markets around the world. We have taken a rigorous approach to managing the level of investment we expect to make in each geographic market we enter based on a market tier approach. We expect to continue to expand internationally, growing our share and increasing penetration of the international markets we've entered in recent years.

Competition

We provide cloud-based solutions enabling individuals, businesses and organizations to establish an online presence, connect with customers and manage their ventures. The market for providing these solutions is highly fragmented and competitive. These solutions are also rapidly evolving, creating opportunity for new competitors to enter the market with point-solution products or address specific segments of the market. In some instances, we have commercial partnerships with companies with which we also compete. Given our broad product portfolio, we compete with niche point-solution products and broader solution providers. Our competitors include providers of:

- domain registration services and web-hosting solutions such as Donuts, Endurance, United Internet, Web.com and WP Engine;
- website creation and management solutions such as Automattic, Shopify, Squarespace and Wix;
- cloud-infrastructure services and online security providers such as CloudFlare, Comodo, Let's Encrypt, LiquidWeb and SiteGround;
- alternative web presence, social platform and marketing solutions such as Constant Contact, Facebook, Instagram, MindBody, OpenTable, Yelp and Zillow; and
- productivity tools such as business-class email, calendaring and messaging such as Google, Grasshopper, Microsoft, WeChat, WhatsApp and Zoho.

We expect continued competition from companies in the domain, hosting and presence markets such as Automattic, Endurance, Donuts, Squarespace, United Internet, Web.com and Wix. We also expect potential increased competition from companies like Google, Amazon, Facebook and Microsoft, which are providers of web-hosting, Internet marketing, e-commerce and other cloud-based services.

We believe the principal competitive factors include: product capabilities meeting customer requirements, a secure, reliable and integrated technology platform, cost-effective customer acquisition, brand awareness and reputation, customer service and support and overall customer satisfaction. We believe we compete favorably with respect to each of these factors. For additional information, see "Risk Factors."

Regulation

Our business is subject to regulation by the Internet Corporation for Assigned Names and Numbers (ICANN), federal and state laws in the U.S. and the laws of other jurisdictions in which we do business.

ICANN. The registration of domain names is governed by ICANN. ICANN is a multi-stakeholder private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of Internet related tasks, including management of the DNS, allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. We are accredited by ICANN as a domain name registrar and registry and thus our ability to offer domain name registration products is subject to our ongoing relationship with, and accreditation by, ICANN. The regulation of Internet domain names in the U.S. and in foreign countries is subject to change.

ccTLD Authorities. The regulation of ccTLDs is governed by national regulatory agencies of the country underlying the specific ccTLDs, such as the U.S. (.us), Colombia (.co), China (.cn), Canada (.ca) and the U.K. (.uk). Our ability to sell ccTLDs is dependent on our and our partners' abilities to maintain accreditation in good standing with these various international authorities.

Advertising and promotional information presented on our websites and in our products, and our other marketing and promotional activities, are subject to federal and state consumer protection laws regulating unfair and deceptive practices. U.S. federal, state and foreign legislatures have also adopted laws and regulations regulating numerous other aspects of our business. Regulations relating to the Internet, including laws governing online content, user privacy and data protection, taxation, liability for third-party activities and jurisdiction, are particularly relevant to our business. Such laws and regulations are discussed below.

Communications Decency Act (CDA). The CDA regulates content of material on the Internet, and provides immunity to Internet service providers and providers of interactive computer services for certain claims based on content posted by third parties. The CDA and the case law interpreting it generally provide that domain name registrars and website hosting providers cannot be liable for defamatory or obscene content posted by customers on registrars' servers unless they participate in creating or developing the content. The Stop Enabling Sex Traffickers Act (SESTA) and Allow States and Victims to Fight Online Sex Trafficking Act of 2017 (FOSTA), which became effective in April 2018, amend certain portions of the CDA, which may limit the immunity previously available to us under the CDA.

Digital Millennium Copyright Act (DMCA). The DMCA provides domain name registrars and website hosting providers a safe harbor from liability for third-party copyright infringement. To qualify for the safe harbor, however, registrars and website hosting providers must satisfy numerous requirements, including adopting a user policy providing for termination of service access of users who are repeat infringers, informing users of this policy and implementing the policy in a reasonable manner. In addition, registrars and website hosting providers must expeditiously remove or disable access to content upon receiving a proper notice from a copyright owner alleging infringement of its protected works. A registrar or website hosting provider failing to comply with these safe harbor requirements may be found liable for copyright infringement.

Anti-Cybersquatting Consumer Protection Act (ACPA). The ACPA was enacted to address piracy on the Internet by curtailing a practice known as "cybersquatting," or the bad-faith registration of a domain name identical or similar to another party's trademark, or to the name of another living person, in order to profit from that name or mark. The ACPA provides that registrars may not be held liable for damages for registration or maintenance of a domain name for another person absent a showing of the registrar's bad faith intent to profit. Registrars may, however, be held liable if their activities are deemed outside the scope of basic registrar functions.

Lanham Act. The Lanham Act governs trademarks and false advertising. Case law interpreting the Lanham Act has limited liability for many online service providers such as search engines and domain name registrars. Nevertheless, there is no statutory safe harbor for trademark violations comparable to the provisions of the DMCA and we may be subject to a variety of trademark claims in the future.

Privacy and Data Protection. In the areas of personal privacy and data protection, the U.S. federal and various state and foreign governments have adopted or proposed limitations on, and requirements associated with, the collection, distribution, use, storage and security of personal information of individuals. In addition, in several jurisdictions in which we operate, data protection is more highly regulated and rigidly enforced. For example, the European Union (E.U.) has enacted the General Data Protection Regulation (GDPR), superseding the 1995 European Union Data Protection Directive. The GDPR includes stringent operational requirements for processors and controllers of personal data, for companies established in the E.U. and those outside of the E.U. if they collect, use, or otherwise process personal data, including payment card information, imposes significant penalties for non-compliance and has broader extra-territorial effect. As we continue to expand our operations in Europe and elsewhere, we expect compliance with these regulatory schemes to be more burdensome and costly for us. In addition, California recently enacted the California Consumer Privacy Act (the CCPA), which was further modified by the passage of the California Privacy Rights Act (CPRA) in the November 2020 election. The CCPA, as modified, requires covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information.

Laws and regulations relating to our activities are unsettled in many jurisdictions, or may prove difficult or impossible to comply with in some jurisdictions. Additionally, federal, state, local and foreign governments are also considering legislative and regulatory proposals that would regulate the Internet and our activities in more and different ways than exist today. It also is impossible to predict whether new taxes will be imposed on our services, and depending upon the type of such taxes, whether and how we would be affected. Laws and regulations in the U.S. or in foreign jurisdictions may be applied in new or different manners in pending or future litigation. Further, other existing bodies of law, including the criminal laws of various jurisdictions, may be deemed to apply to our activities, or new statutes or regulations may be adopted in the future.

Intellectual Property and Proprietary Rights

Our intellectual property and proprietary rights are important to our business. We rely on a combination of trademark, patent, copyright and trade secret laws, confidentiality and access-related procedures and safeguards and contractual provisions to protect our proprietary technologies, confidential information, brands and other intellectual property.

As of December 31, 2020, we had 314 issued patents in the U.S. covering various aspects of our product offerings. Additionally, as of December 31, 2020, we had 102 pending U.S. patent applications and intend to file additional patent applications in the future.

We have non-disclosure, confidentiality and license agreements with employees, contractors, customers and other third parties, which limit access to and use of our proprietary information. Though we rely in part upon these legal and contractual protections, as well as various procedural safeguards, we believe the skill and ingenuity of our employees, the functionality and frequent enhancements to our solutions and our ability to introduce new products and features meeting the needs of our customers are more important to maintaining our competitive position in the marketplace.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines and logos in the U.S. and other countries to the extent we determine appropriate and cost-effective. We also have common law rights in some unregistered trademarks that were established over years of use. In addition, we have a trademark and service mark enforcement program pursuant to which we monitor applications filed by third parties to register trademarks and service marks that may be confusingly similar to ours, as well as the use of our major brand names in social media, domain names and other Internet sites.

Corporate Information

We were incorporated in Delaware on May 28, 2014. Our principal executive offices are located at 14455 N. Hayden Road, Scottsdale, Arizona 85260 and our telephone number is (480) 505-8800.

Available Information

Our website is located at www.godaddy.com and our investor relations website is located at investors.godaddy.net. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and our Proxy Statements are available through our investor relations website, free of charge, after we file them with the SEC. We also provide a link to the section of the SEC's website at www.sec.gov that has all of the reports we file or furnish with the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You can get information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below. The risks and uncertainties described below are not the only ones we face, however; additional risks and uncertainties we are unaware of, or which we currently believe are not material, may also become important factors affecting us. If any of the following risks occur or risks we are unaware of occur, our business, financial condition, operating results and growth prospects could be materially and adversely affected.

Risk Factor Summary

The following is a summary of the principal risks that could materially and adversely affect our business, financial condition, operating results and growth prospects.

- We may be unable to attract and retain customers or increase sales to new and existing customers.
- We may not successfully develop and market products that meet or anticipate our customers' needs, whether organically or inorganically, or may not develop such products on a timely basis.
- We may fail to protect and promote our brand.
- Evolving technologies and resulting changes in customer behavior or customer practices may impact the value of and demand for domain names.
- We face significant competition for our products in the domain name registration, website building and web-hosting markets and other markets in which we compete, and we may not be able to maintain or improve our competitive position or market share.
- Increasing our international bookings is a significant part of our strategy to grow our business, but requires significant investments of time and money, and expanding into new markets may expose us to additional risks.
- We may not effectively manage the significant investments of time and money we have made and continue to make to support our growth strategy, and such investments may not succeed.
- We may not realize the benefits of our entry into new markets or of our acquisitions if we are unable to effectively integrate new employees, products, systems and processes.
- We may enter into new lines of business or offer new products which may subject us to additional risks.

For a more complete discussion of the material risks facing our business, see below.

Strategic Risks

If we are unable to attract and retain customers and increase sales to new and existing customers, our business and operating results would be harmed.

Our success depends on our ability to attract and retain customers and increase sales to new and existing customers. Although our total customers and revenue have grown rapidly in the past, in recent periods our slower growth rates have reflected the larger size and scale and maturity of our business. We cannot be assured that we will achieve similar growth rates in future periods as our total customers and revenue could decline or grow more slowly than we expect. The rate at which new and existing customers purchase and renew subscriptions to our products could fluctuate or decline as a result of a number of factors, such as lower demand for domain names, websites and related products, declines in our customers' level of satisfaction with our products and the support provided by our GoDaddy Guides, the timeliness and success of product enhancements and introductions by us and those of our competitors, the pricing offered by us and our competitors, the frequency and severity of any system outages, breaches, or technological change.

Our revenue has grown historically due in large part to sustained customer growth rates and strong renewals of subscriptions to our domain name registration and hosting and presence products. Our future success depends in part on maintaining strong renewals. Our costs associated with renewals are substantially lower than costs associated with acquiring new customers and selling additional products to existing customers. Therefore, a reduction in renewals, even if offset by an increase in other revenue, would reduce our operating margins in the near term. Any failure by us to continue to attract new customers or maintain strong renewals could have a material adverse effect on our business, growth prospects and operating results.

If we do not successfully develop and market products that anticipate or respond promptly to the needs of our customers, our business and operating results may suffer.

The markets in which we compete are characterized by constant change and innovation, frequent new product and service introductions and evolving industry standards, and we expect them to continue to evolve rapidly, including as a result of the current global economic slowdown. Our historical success has been based on our ability to identify and anticipate customer needs and design products providing entrepreneurs, small businesses and ventures with the tools they need to create, manage and augment their digital identity. In response to evolving customer needs, we launched freemium offers for Websites + Marketing, introduced free trials of our digital marketing suite, enabled an enhanced functionality with GoFundMe, introduced robust gift card functionality and virtual appointment support, expanded our capabilities with PayPal and launched basic messaging capability to allow our customers to connect with their customers. To the extent we are not able to continue to identify challenges faced by entrepreneurs, small businesses and ventures and provide products responding in a timely and effective manner to their evolving needs, our business, operating results and financial condition may be adversely affected.

The process of developing new products and technology is complex and uncertain. If we fail to accurately predict customers' changing needs, customer reactions to the current global economic slowdown, such as the need for expanded online and offline commerce tools, or emerging technological trends, such as artificial intelligence, or if we fail to achieve the benefits expected from our investments in technology, our business could be harmed. These product and technology investments include those we develop internally, such as our "do-it-yourself" website builder Websites + Marketing, our hosting platforms and our security products, those we acquire and develop as a result of acquisitions, such as Poynt, Over, Uniregistry's registrar and brokerage business, Neustar and SkyVerge, and those related to our partner programs, such as Microsoft. We must continue to commit significant resources to develop our technology in order to maintain our competitive position, and these commitments will be made without knowing whether such investments will result in products our customers need and will buy. Our new products or product enhancements could fail to attain meaningful customer acceptance for many reasons, including:

- failure to accurately predict market demand or customer preferences;
- defects, errors or failures in product design or performance;
- negative publicity about product performance or effectiveness, including negative comments on social media;
- poor business conditions for our customers or poor general macroeconomic conditions, including as a result of the COVID-19 pandemic;
- the perceived value of our products or product enhancements relative to their cost; and
- changing regulatory requirements adversely affecting the products we offer.

There is no assurance we will successfully identify new opportunities, develop and bring new products to market on a timely basis, or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive, any of which could adversely affect our business and operating results. If our new products or enhancements do not achieve adequate acceptance by our customers, or if our new products do not result in increased sales or subsequent renewals, our competitive position will be impaired, our anticipated revenue growth may not be achieved and the negative impact on our operating results may be particularly acute because of the upfront technology and development, marketing and advertising and other expenses we may incur in connection with new products or enhancements. In addition, we may migrate our customers from a product that we intend to retire to another, substantially similar product. We may experience technical complications during such migration, which could result in a poor customer experience and which could have an adverse impact on our operating results.

Our brand is integral to our success. If we fail to protect or promote our brand, our business and competitive position may be harmed.

Protecting and maintaining awareness of our brand is important to our success, particularly as we seek to attract new customers globally and to increase customer awareness of our full portfolio of products. We have invested, and expect to continue to invest, substantial resources to increase our brand awareness, both generally and in specific geographies and to specific customer groups, such as Partners. There can be no assurance that our brand development strategies, including the "Go" logo we launched in 2020, will enhance the recognition of our brand, lead to increased sales or effectively increase awareness of our product offerings. Furthermore, our international branding efforts may prove unsuccessful due to language barriers and cultural differences. If our efforts to protect and promote our brand are not successful, our operating results may be adversely affected.

Evolving technologies and resulting changes in customer behavior or customer practices may impact the value of and demand for domain names.

Historically, Internet users navigated to a website by directly typing its domain name into a web browser or navigation bar. The domain name serves as a branded, unique identifier not unlike a phone number or email address. However, people increasingly use search engines to find and access websites as an alternative to typing a website address directly into a web browser navigation bar. If search engines modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites. Additionally, if the costs of search engine marketing services, such as Google AdWords, increase, we may incur additional marketing expenses or be required to allocate a larger portion of our marketing spend to this channel and our business and operating results could be adversely affected.

In addition, businesses are increasingly relying solely on social media applications, such as Instagram, to reach customers and consumers are accessing the Internet more frequently through applications on mobile devices. As reliance on these applications increases, domain names may become less prominent and their value may decline. We are dependent on the interoperability of our products with these applications and mobile devices. If we are unable to effectively integrate our products within these applications and on these devices, we may lose market share. These evolving technologies and changes in customer behavior may have an adverse effect on our business and growth prospects.

We face significant competition for our products in the domain name registration, website building and web-hosting markets and other markets in which we compete, which we expect will continue to intensify, and we may not be able to maintain or improve our competitive position or market share.

The market for our products is highly fragmented and competitive. These solutions are also rapidly evolving, creating opportunity for new competitors to enter the market with point-solution products or address specific segments of the market. Given our broad product portfolio, we compete with niche point-solution products and broader solution providers. Our competitors include providers of domain registration services, web-hosting solutions, website creation and management solutions, e-commerce enablement providers, cloud computing service and online security providers, alternative web presence and marketing solutions providers and providers of productivity tools such as business-class email.

We expect competition to increase in the future from competitors in the domain and hosting and presence markets, such as United Internet, Web.com and Donuts, as well as competition from companies such as Google, Amazon and Microsoft, which provide web-hosting, other cloud-based services and domain name registration, and Amazon and Facebook, which offer Internet marketing platforms. In particular, the extension of the Cooperative Agreement between Verisign Inc. (Verisign), the registry for .com and .net, and the U.S. Department of Commerce in 2018 gave Verisign the right to become an ICANN-accredited registrar for any gTLD other than .com. While Verisign has not publicly announced whether it will become a registrar, it would become one of our competitors if it were to do so, which could have a negative impact on our business and industry. In addition, we face competition in the website and e-commerce site building market from competitors such as Wix, Squarespace and Shopify, from providers of social media networks and applications including Facebook and Tencent, and from digital infrastructure providers including Cloudflare. Some of our current and potential competitors have greater resources, more brand recognition and consumer awareness, more diversified product offerings, greater international scope and larger customer bases than we do, and we may therefore not be able to effectively compete with them. In addition, some of our competitors offer their services and products at low or no cost; for example, Cloudflare offers domains at wholesale cost and Let's Encrypt offers security certificates at no cost. If these competitors and potential competitors decide to devote greater resources to the development, promotion and sale of products in the markets in which we compete, or if the products offered by these companies are more attractive to or better meet the evolving needs of our customers, our market share, growth prospects and operating results may be adversely affected.

Increased competition in our industry could result in lower sales, price reductions, reduced margins, loss of market share and increased marketing expenses. Furthermore, conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or market consolidation. New or existing competitors, or groups of competitors working cooperatively, may invent similar or superior products and technologies competing with our products and technology. The continued entry of competitors into the domain name registration and web-hosting markets, and the rapid growth of some competitors that have already entered each market, may make it difficult for us to maintain our market position. Our ability to compete will depend upon our ability to provide a better product than our competitors at a competitive price and supported by superior customer care. We may be required to make substantial additional investments in research, development, marketing and sales in order to respond to competition, and there can be no assurance that these investments will achieve any returns for us or that we will be able to compete successfully in the future.

Our business and financial condition could be harmed materially if our customers were no longer able to rely upon the existing domain name registration system.

The domain name registration market continues to develop and adapt to changing technology. This development may include changes in the administration or operation of the Internet, including the creation and institution of alternate systems for directing Internet traffic without using the existing domain name registration system, or fundamental changes in the domain name resolution protocol used by web browsers and other Internet applications. The widespread acceptance of any alternative system, such as mobile applications or closed networks, could eliminate the need to register a domain name to establish an online presence and could materially and adversely affect our business.

The future growth of our business depends in significant part on increasing our international bookings. Our continuing international expansion efforts subject us to additional risks.

Bookings outside of the U.S. represented approximately 32%, 33% and 35% of our totals for 2020, 2019 and 2018, respectively. We continue to localize our products in numerous markets, languages and currencies, expand our systems to accept payments in forms common outside of the U.S., focus our marketing efforts in numerous non-U.S. geographies, tailor our customer care offerings to serve these markets, expand our infrastructure in various non-U.S. locations and establish customer care operations in overseas locations. Conducting and expanding international operations subjects us to risks we generally do not face in the U.S., including:

- management, communication and integration problems resulting from language barriers, cultural differences and geographic dispersion of our customers and personnel;
- language translation of, and associated customer care guidance for, our products;
- compliance with foreign laws, including laws regarding consumer protection, intellectual property, online disclaimers and advertising, liability of online service providers for activities of customers especially with respect to hosted content, competition, anti-bribery, and more stringent laws in foreign jurisdictions relating to consumer privacy and protection of data collected from individuals and other third parties;
- accreditation and other regulatory requirements to do business and to provide domain name registration and registry services, web-hosting and other products in foreign jurisdictions;
- greater difficulty in enforcing contracts, including our universal terms of service and other agreements due to differences in local legal regimes and court systems;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- greater costs and expenses associated with international marketing and operations;
- greater risk of unexpected changes in regulatory practices, tariffs, trade disputes and tax laws and treaties, particularly due to the U.K.'s exit from the E.U. pursuant to Article 50 of the Treaty on European Union (Brexit);
- increased exposure to foreign currency risks;
- the impact of the COVID-19 pandemic on demand for our products in international markets;
- heightened risk of unfair or corrupt business practices in certain geographies; and
- the potential for political, social or economic unrest, terrorism, hostilities or war; and multiple and possibly overlapping tax regimes.

Furthermore, through our recent acquisitions of Over, Uniregistry's registrar and brokerage business and Neustar's registry business, we've continued to expand our international presence with operations in South Africa, Grand Cayman and Colombia. Our international expansion efforts may be slow or unsuccessful to the extent we experience difficulties in recruiting, training, managing and retaining qualified personnel with international experience, language skills and cultural competencies in the geographic markets we target, which could negatively impact our bookings and operating results. Recruiting highly skilled employees in international markets poses additional challenges as we may have less data and market expertise than we have when recruiting domestically. We may also face challenges recruiting and onboarding personnel as we adopt more extensive work-from-home policies. Furthermore, as we continue to expand internationally, it may prove difficult to maintain our corporate culture, which we believe has been critical to our success.

In addition, the expansion of our existing international operations and entry into additional international markets has required and will continue to require significant management attention and financial resources. These increased costs may increase our cost of acquiring international customers, which may delay our ability to achieve profitability or reduce our profitability in the future. We may also face pressure to lower our prices in order to compete in emerging markets, which could adversely affect revenue derived from our international operations. In addition, certain of our operations are in higher risk regions such as China, India, Russia and Ukraine. Unanticipated events, such as geopolitical changes, could adversely affect those operations. In particular, there is uncertainty as to the future of U.S. trade policy with respect to China. These and other factors associated with our international operations could impair our growth prospects and adversely affect our business, operating results and financial condition. Given the risks associated with our international operations, we may decide to relocate international operations either to other foreign countries or domestically. Any such relocation would require significant management attention and financial resources, could adversely affect our business, operating results and financial condition, and may not prove to be successful.

We have made significant investments to support our growth strategy. These investments may not succeed. If we do not effectively manage future growth, our operating results will be adversely affected.

We continue to work to increase the breadth and scope of our product offerings and operations. To support future growth, we must continue to improve our information technology and financial infrastructure, operating and administrative systems and our ability to effectively manage headcount, capital and processes. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower or may develop more slowly than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

We have incurred, and will continue to incur, expenses relating to our investments in international operations and infrastructure, such as the expansion of our offerings and marketing presence in India, Europe, Latin America, the Middle East and North Africa, and Asia; our targeted marketing spending to attract new customer groups, such as Partners and Independents in non-U.S. markets; and investments in software systems and additional data center resources to keep pace with the growth of our cloud infrastructure and cloud-based product offerings. We have made significant investments in product development, corporate infrastructure and technology and development, and intend to continue investing in the development of our products and infrastructure and our marketing and GoDaddy Guides.

As we continue to grow, our management, administrative, operational and financial infrastructure may be strained. The scalability and flexibility of our infrastructure depends on the functionality and bandwidth of our data centers, peering sites and servers. The significant growth in our total customers and the increase in the number of transactions we process have increased the amount of our stored customer data. Any loss of data or disruption in our ability to provide our product offerings due to disruptions in our infrastructure, services or third parties we rely on could result in harm to our brand or reputation. Moreover, as our customer base continues to grow and uses our platform for more complicated tasks, we will need to devote additional resources to improve our infrastructure and to enhance its scalability and security. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our operating and business results.

We continue to plan for and implement new enterprise resource planning systems, including e-commerce and revenue recognition, as well as make enhancements to existing platforms and tools. While we are engaged in this work, we may experience difficulties in managing our existing systems and processes, which could disrupt our operations, the management of our finances and the reporting of our financial results. In addition, we will continue to rely on legacy systems while we plan for implementation of new systems; such legacy systems may not be able to scale efficiently as our business grows, which may delay future product launches or enhancements. Our failure to improve our systems and processes or complete such system implementations or enhancements on a timely basis, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business, successfully integrate our acquisitions and to accurately forecast and report our results.

We may acquire other businesses or talent, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

As part of our business strategy, we have in the past made, and may in the future make, acquisitions or investments in companies, talent, products, domain portfolios and technologies we believe will complement or supplement our business and address the needs of our customers, such as our recent acquisitions of Over, Uniregistry's registrar and brokerage business, the Neustar registry business, SkyVerge and Poynt. We cannot ensure we will be able to successfully integrate the acquired products, talent and technology or achieve the revenue and expense synergies we expect as a result of these transactions. Even if we do successfully integrate the acquired products we may not successfully integrate the acquired brands into our portfolio or may decide to modify, retire or change the direction of the brands, which could adversely affect our operating results. If we fail to properly evaluate, execute or integrate acquisitions or investments, the anticipated benefits may not be realized, we may be exposed to unknown or unanticipated liabilities and our business and growth prospects could be harmed.

In the future, we may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. When acquiring assets in a business carve-out transaction, we may not identify all of the assets we need to operate that business at closing, which could result in additional expense. In addition, any future acquisitions we complete could be viewed negatively by our customers, investors and industry analysts.

We may have to pay cash, incur debt or issue equity securities to pay for future acquisitions, each of which could adversely affect our financial condition or the value of our Class A common stock. Equity issuances in connection with potential future acquisitions may also result in dilution to our stockholders. We may face competition for acquisitions from larger competitors that may have more extensive financial resources, which may increase the cost or limit the availability of acquisitions. In addition, our future operating results may be impacted by performance earn-outs or contingent bonuses. Furthermore, acquisitions may involve contingent liabilities, adverse tax consequences, additional equity-based compensation expense, adjustments for fair value of deferred revenue, the recording and subsequent amortization of amounts related to certain purchased intangible assets and, if unsuccessful, impairment charges resulting from the write-off of goodwill or other intangible assets associated with the acquisition, any of which could negatively impact our future results of operations.

We may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, including issues related to intellectual property, solution quality or architecture, privacy, data protection, information security practices, regulatory compliance practices, employment practices, customer or sales channels and integrations of prior acquisitions. We are also required to integrate, operate and manage an acquired company's security infrastructure, which may be particularly challenging when acquired businesses utilize heavily customized or outdated systems or if we face of loss of personnel of the acquired business. This can increase our vulnerability to network attacks, security incidents or similar events.

We may encounter difficulties assimilating or integrating the companies, solutions, technologies, accounting systems, personnel or operations we acquire, particularly if the key personnel are geographically dispersed or choose not to work for us. For example, we have, and may in the future, enter into transition services agreements with a seller for the provision of support services to assist with the orderly integration of the business. We may never realize the benefits of these transition services agreements and we may be unable to manage and coordinate the performance of personnel providing services to us under these agreements. Leaders and personnel at acquired companies may focus on achieving performance earn-outs or contingent payments rather than integrating with us. Additionally, we may not integrate an acquired company onto our systems as planned, requiring us to depend on their legacy systems or a transition services agreement for longer than anticipated.

We may enter into new lines of business that offer new products and services, which may subject us to additional risks.

From time to time, we may enter into new lines of business that entail offering new products and services. For example, in August 2020 we completed the acquisition of the Neustar registry business, which represents our entry into the domain name registry business and in February 2021, we completed our acquisition of Poynt, which represents our entry into the off-line commerce business in addition to supplementing our existing e-commerce offerings. Our lack of experience with or knowledge of these new lines of business, as well as external factors, such as competitive alternatives, potential conflicts of interest, either real or perceived, and shifting market preferences, may impact our implementation and operation of such new lines of business. Other risks of implementing a new line of business include:

- potential diversion of management's attention, available cash, and other resources from our existing business;
- any determination by governmental agencies that the vertical merger is anticompetitive in any relevant market;
- unanticipated liabilities or contingencies;
- compliance with additional regulatory burdens;
- potential damage to existing customer relationships, lack of customer acceptance or inability to attract new customers; and
- the inability to compete effectively in the new line of business.

Failure to successfully manage these risks in the implementation or acquisition of new lines of business or the offering of new products or services could have a material adverse effect on our reputation, business, results of operations and financial condition.

Our corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe a critical contributor to our success has been our corporate culture, which we believe fosters innovation, creativity, a customer-centric focus, collaboration and loyalty. Our corporate culture is central to our devoted GoDaddy Guides, which is a key component of the value we offer our customers. As we continue to evolve our business, expand our global footprint, expand our product portfolio and rely more on remote workers, we may find it difficult to maintain these important aspects of our corporate culture, which could limit our ability to innovate and operate effectively.

As a result of the COVID-19 pandemic, substantially all of our personnel, including our GoDaddy Guides, are working remotely through at least June 30, 2021, which could negatively affect our culture. We continue to plan for the eventual return of employees to our offices, but the working arrangements when we return to the office may differ from the arrangements before the COVID-19 pandemic; we expect that some of our employees may continue to work from home full-time or part-time. The full or partial return to in-office work and the potential transition to permanent remote working arrangements for some employees may result in increased costs, decreased efficiency, deterioration of corporate culture and other unforeseen challenges. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

Operational Risks

We are exposed to the risk of system failures and capacity constraints.

We have experienced, and may in the future experience, system failures and outages disrupting the operation of our websites or our products such as web-hosting and email, or the availability of our customer care operations. Our revenue depends in large part on the volume of traffic to our websites, the number of customers whose websites we host on our servers and the availability of our customer care operations. Accordingly, the performance, reliability and availability of our websites and servers for our corporate operations and infrastructure, as well as in the delivery of products to customers, are critical to our reputation and our ability to attract and retain customers. Any such system failure or outage could generate negative publicity, including on social media, which could negatively impact our reputation and financial results. As we continue our transition to AWS to host our products over the next several years, we have become, and will become, more dependent on third parties to accommodate the high volume of traffic to our websites and those of our customers.

We are continually working to expand and enhance our website features, technology and network infrastructure and other technologies to accommodate substantial increases in the volume of traffic on our godaddy.com and affiliated websites, the number of customer websites we host and our overall total customers. We may be unable to project accurately the rate or timing of these increases or to successfully allocate resources to address such increases, which could have a negative impact on customer experience and our financial results. In the future, we may be required to allocate additional resources, including spending substantial amounts, to build, purchase or lease data centers and equipment and upgrade our technology and network infrastructure in order to handle increased customer traffic, as well as increased traffic to customer websites we host. We also expect to increasingly rely on third-party cloud computing and hosting providers such as AWS as we transition to the public cloud. We cannot predict whether we will be able to continue to add network capacity from third-party suppliers or otherwise as we require it. In addition, our network or our suppliers' networks might be unable to achieve or maintain data transmission capacity high enough to process orders or download data effectively or in a timely manner. Our failure, or our suppliers' failure, to achieve or maintain high data transmission capacity could significantly reduce consumer demand for our products. In addition, in response to COVID-19, we closed offices to comply with local "shelter-in-place" orders and moved all of our GoDaddy Guides to work remotely; as a result, their productivity and efficiency has been and may continue to be negatively affected, including their ability to download or process orders at the same rate as before the COVID-19 pandemic and increased risk of systems disruptions. The property and business interruption insurance coverage we carry may be subject to fact-dependent and incident-specific exclusions or may not be adequate to compensate us fully for losses that may occur.

We rely on third parties to perform certain key functions, and their failure to perform those functions could result in the interruption of our operations and systems and could result in significant costs and reputational damage to us.

We rely on third parties, and other parties with which those third parties contract, to perform certain technology, processing, servicing and support functions on our behalf, and may in the future choose to transition a function previously managed by us to such third parties. In particular, we have are in the process of transitioning from company-owned and co-located data centers to third-party cloud computing and hosting providers, including AWS. When we choose to transition a function to a third party, we may spend significant time and effort, incur higher costs than originally expected and experience delays in completing such transition. We may never realize any of the anticipated benefits of relying on such third parties, including acquisition of new customers, improved product features and positive financial results. In addition, these third parties are vulnerable to operational and technological disruptions, including from cyber attacks, which may negatively impact our ability to provide services to our customers, operate our business and fulfill our financial reporting obligations. We may have limited remedies against these third parties in the event of service disruptions. If third parties are unable to perform these functions on our behalf because of service interruptions or extended outages, or because those services are no longer available on commercially reasonable terms, our expenses could increase and our customers' use of our products could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business.

A network attack, a security breach or other data security incident could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

Our operations depend on our ability to protect our network and systems against interruption, a breach of confidentiality, or other damage from unauthorized entry, computer viruses, denial of service attacks and other security threats both within and beyond our control. These threats may arise from human error, fraud, or malice on the part of our employees, insiders, or third parties, or they may result from accidental technological failure. Any of these parties may also attempt to fraudulently induce employees, customers, or other third-party users of our systems to disclose sensitive information, wittingly or unwittingly, in order to gain access to our data or that of our customers or third parties with whom we interact.

We regularly experience distributed denial of service (DDOS) attacks by hackers aimed at disrupting service to our customers and attempts to place illegal or abusive content on our or our customers' websites, and we may be subject to DDOS attacks or content abuse in the future. Our response to such DDOS attacks may be insufficient to protect our network and systems, especially as attacks increase in size and nation-state actors use DDOS attacks against political and economic adversaries. In addition, there has been an increase in the number of malicious software attacks in the technology industry generally, including newer strains of malware, ransomware and cryptocurrency mining software.

Social engineering efforts may compromise our personnel or those of our third-party vendors, leading to unauthorized access to facilities, systems or information we have a responsibility to protect, which could lead to the unauthorized acquisition of information, the unavailability of systems or information or the compromise of customer accounts. Despite efforts to promote security awareness and training for our personnel and vendors, malicious actors are increasingly sophisticated and successful in their use of social engineering techniques. In recent months, we have experienced an increased level of social engineering efforts and several successful social engineering efforts, including by a persistent threat actor, which have, among other things, attempted to transfer customer domain names and targeted domains related to cryptocurrency. We have taken steps and continue to work to enhance our security and resilience against social engineering, requiring additional engineering efforts and modifications to our technology architecture as well as the expenditure of time and additional cost. We cannot guarantee that in all cases our efforts will be successful or that future social engineering incidents will be of similarly minimal impact, and, if successful, such incidents may cause financial and reputational harm.

We cannot guarantee our backup systems, regular data backups, security protocols, network protection mechanisms, cybersecurity awareness training, insider threat program, access controls, and other procedures and measures currently in place, or that may be in place in the future, will be adequate to prevent or remedy network and service interruption, system failure, third-party operating systems and software vulnerabilities, damage to one or more of our systems, data loss, security breaches or other data security incidents. Also, our products are cloud-based, and the amount of data we store for our customers on our servers has been increasing as our business has grown. Despite the implementation of security measures, our infrastructure may be vulnerable to computer viruses, worms, other malicious software programs, social engineering attacks, insider threats, credential theft and related abuse, illegal or abusive content or similar disruptive problems caused by our customers, employees, consultants or other Internet users who attempt to invade or disrupt public and private data networks or to improperly access, use or obtain data.

In addition, the process of transferring customer personal information in connection with the migration of customers from one product to another may result in data loss. Any actual or perceived breach of our security, or any other data security incident, could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, subject us to regulatory or other government inquiries or investigations, require us to expend significant capital and other resources to alleviate problems caused by the breach and to make required improvements to our systems, and deter customers from using our products, any of which would harm our business, financial condition and operating results. For example, in July 2018 we discovered a third party had accessed certain data of our Domain Factory customers. We have spent significant time and resources responding to the initial incident and continue to respond to subject access requests (SARs) from Domain Factory customers. To date, the Bavarian Data Protection Agency has not rendered its final decision on its investigation of this incident; nor has it issued any fines, but we could be subject to fines in the future related to this incident in an amount we cannot predict at this time. In case of a future incident, a history of past incidents, such as the July 2018 incident, may increase the risk of higher sanctions, or that investigations into past incidents may be re-invigorated. More recently, in March 2020, we discovered a threat actor compromised the hosting login credentials of approximately 28,000 hosting customers to their hosting accounts as well as the login credentials of a small number of our personnel. These hosting login credentials did not provide access to the hosting customers' main GoDaddy account. We have spent resources investigating and responding to this activity, notified the impacted customers, reported the activity to applicable regulatory authorities, and are responding to requests for information.

If the security of the confidential information or personal information we or our vendors or partners maintain, including that of our customers and the visitors to our customers' websites stored in our systems, is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

Our business involves the storage and transmission of confidential information, including personal information. In addition, as nearly all of our products are cloud-based, the amount of data we store for our customers on our servers (including personal information and other potentially sensitive information), and on servers used by our vendors and partners (such as AWS), has been increasing. We take measures intended to protect the security, integrity and confidentiality of the personal information and other sensitive information, including payment card information, that we collect, store or transmit, but cannot guarantee that inadvertent or unauthorized use or disclosure of such information will not occur or that third parties, including nation-states and bad actors, or our personnel or those of our vendors will not gain unauthorized or other malicious access to this information or systems where personal information is processed despite our preventative efforts or those of our vendors or partners.

If third parties succeed in penetrating our security measures or those of our vendors and partners, or in otherwise accessing or obtaining without authorization the payment card information or other sensitive or confidential information we or our vendors and partners maintain, we could be subject to liability, loss of business, litigation, government investigations or other losses. Hackers or individuals who attempt to breach our security measures or those of our vendors and partners could, if successful, cause the unauthorized disclosure, misuse, or loss of personal information or other confidential information, including payment card information, or malfunctions or interruptions in our networks and services. As we continue to rely more on third-party and public-cloud infrastructure, such as AWS and other third-party service providers, we have become, and will become, more dependent on third-party security measures to protect against unauthorized access, cyber attacks and the mishandling of customer data and we may be required to expend significant time and resources to address any incidents related to the failure of those third-party security measures. Increased handling of personal information and other customer data and confidential information by vendors, partners and other third parties, including through our increased reliance on third-party and public-cloud infrastructure and other third-party service providers, may create increased risks of unauthorized disclosure, misuse or loss of these types of information. We also anticipate being required to expend significant resources in an effort to maintain and improve efforts in our oversight of vendors and other third parties with whom we share data or otherwise process data on our behalf. In addition, our customers may request we produce evidence of our data security program as part of their own compliance programs. Responding to such requests may be costly and time consuming.

If we or our partners experience any breaches or sabotage of our security measures, or otherwise suffer unauthorized use or disclosure of, or access to, personal information or other confidential information, including payment card information, we might be required to expend significant capital and resources to remediate these problems and protect against additional breaches or sabotage. We may not be able to remedy any problems caused by hackers or other similar actors in a timely manner, or at all, due to, among other things, a lack of qualified personnel to handle such problems or the failure of our personnel to follow internal policies and procedures. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until after they are launched against a target, we and our vendors and partners may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. Advances in computer capabilities, discoveries of new weaknesses, increased likelihood of nation-state cyber attacks, and other developments with software generally used by the Internet community, such as the Meltdown and Spectre vulnerabilities, which exploit security flaws in chips manufactured in the last 20 years, the Shellshock vulnerability in the Linux Bash shell, continually evolving ransomware attacks, or developments related to the SolarWinds Orion product incident, also increase the risk that we, or our customers using our servers and services, will suffer a security breach. We or our partners may also suffer security breaches or unauthorized access to personal information and other confidential information, including payment card information, due to employee error, rogue employee activity, unauthorized access by third parties acting with malicious intent or committing an inadvertent mistake, or social engineering. If a breach of our security or other data security incident occurs or is perceived to have occurred, the perception of the effectiveness of our security measures and our reputation could be harmed and we could lose current and potential customers. In this regard, we recently determined that a threat actor distributed a malicious file across our hosting servers. While our terms of service provide that our customers should not use hosting services to process their customers' credit card transactions, we determined that the file resulted in the compromise of a small number of our customers' customers' credit cards. We notified our customers and have engaged with them to offer identity theft monitoring to the affected parties.

Security breaches or other unauthorized access to personal information and other confidential information, including payment card information, could result in claims against us for unauthorized purchases with payment card information, identity theft or other similar fraud claims as well as for other misuses of personal information, including for unauthorized marketing purposes, which could result in a material adverse effect on our business or financial condition. Moreover, these claims could cause us to incur penalties from payment card associations (including those resulting from our failure to adhere to industry data security standards), termination by payment card associations of our ability to accept credit or debit card payments, litigation and adverse publicity, and regulatory or other government inquiries or investigations, any of which could have a material adverse effect on our business and financial condition. Although we maintain cyber liability insurance coverage that may cover certain liabilities in connection with a security breach or other security incident, we cannot be certain our insurance coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on commercially reasonable terms (if at all) or that any insurer will not deny coverage as to any future claim, including if a nation-state is declared the sponsor or perpetrator of such act; for example, following the U.S., U.K., Canadian and Australian governments' attribution of Russia for the NotPetya ransomware attack, Zurich American Insurance Co. denied Mondelez International, Inc.'s claim for damages from that attack, resulting in ongoing litigation between Zurich and Mondelez, which raises broader uncertainty across the cyber insurance market regarding the availability of coverage for nation-state-led cyber attacks. The successful assertion of one or more large claims against us that exceed available insurance coverage, the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage based on "act of war" or similar exclusions triggered by attribution of an attack to a nation-state, could have a material adverse effect on our business, including our financial condition, results of operations and reputation.

We expect to continue to expend significant resources to protect against security breaches and other data security incidents. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of cloud-based products we offer and operate in more countries.

We rely on our marketing efforts and channels to promote our brand and acquire new customers. These efforts may require significant expense and may not be successful or cost-effective.

We use a variety of marketing channels to promote our brand, including online keyword search, sponsorships and celebrity endorsements, television, radio and print advertising, email and social media marketing. If we lose access to one or more of these channels, such as online keyword search, either because the costs of advertising become prohibitively expensive or we change our marketing practices as a result of developments in applicable law or litigation, or for other reasons, we may become unable to promote our brand effectively, which could limit our ability to grow our business. Further, if our marketing activities fail to generate traffic to our website, attract customers and lead to new and renewals of our products at the levels we anticipate or our efforts to personalize our marketing efforts are not successful, our business and operating results would be adversely affected.

We face challenges in increasing consumer awareness of our full portfolio of products. Because we have an established consumer-facing brand associated with domain registration and website building, some customers or potential customers may not be aware of our additional offerings. Efforts to expand customer awareness of our diverse range of products may increase marketing expenses and may fail to generate additional sales, which could adversely affect our business and operating results. There can be no assurance our marketing efforts will succeed or be cost-effective, and if our customer acquisition costs increase, our business, operating results and financial performance could be adversely affected.

Our ability to increase sales of our products is highly dependent on the quality of our customer care. Our failure to provide high-quality customer care would have an adverse effect on our business, brand and operating results.

Our GoDaddy Guides have historically contributed significantly to our total bookings. Approximately 12%, 16%, and 17% of our total bookings in 2020, 2019 and 2018, respectively, were generated from the sale of product subscriptions by our GoDaddy Guides. Our GoDaddy Guides thrive when they are together; moving our GoDaddy Guides to work remotely in response to COVID-19 has, and may continue to have, a negative impact on that team's productivity and its generation of new sales, which could have a material impact on our operations and financial results. If our GoDaddy Guides continue to work from home because of COVID-19 and we are unable to improve their productivity, our business and operating results will continue to be adversely affected. The costs associated with moving our GoDaddy Guides to a remote-working model and, eventually, returning them to our offices could be significant. Our GoDaddy Guides primarily engage with customers through direct calls. As customers increasingly engage with our GoDaddy Guides via other communication channels, such as chat and we provide more self-serve solutions, there is no guarantee our GoDaddy Guides will continue to have the same success in selling product subscriptions and, as a result, our total bookings may decline.

The majority of our current offerings are designed for customers who often self-identify as having limited to no technology skills. Our customers depend on our GoDaddy Guides to guide them as they create, manage and grow their digital identities. As our GoDaddy Guides engage with customers online and through other communications channels, our GoDaddy Guides may not be as successful or effective as they have been in the past. After launching their sites and leveraging our product offerings, customers depend on our GoDaddy Guides to quickly resolve any issues relating to those offerings. Further, as we continue to broaden our portfolio of solutions, increase the size of our customer base and increase the size of our solution deployments within our customers' IT infrastructure, we must continue to adapt our customer support organization to ensure our customers continue to receive the high level of customer service which they have come to expect. Notwithstanding our commitment to customer care, our customers will occasionally encounter interruptions in service and other technical challenges, including those resulting from our GoDaddy Guides working from home due to COVID-19, and it is therefore critical we are there to provide ongoing, high-quality support to help our customers.

We must continue to refine our efforts in customer care so we can adequately serve our domestic and international customers. We cannot predict the impact any such refinements may have on our ability to sell additional product subscriptions or our overall customer experience. For example, a portion of our international GoDaddy Guides are engaged through third parties and not directly employed by us. If our agreements with such third parties are terminated for any reason, we will need to find alternative providers, which could increase our costs; in addition, we would have to train new GoDaddy Guides, which could adversely impact our ability to serve our customers and to sell products to new and existing customers. If we do not provide effective ongoing customer care, our ability to sell our products to new and existing customers could be harmed, and our high subscription renewal rates and cross-selling of our products may decline and our reputation may suffer, any of which could adversely affect our business, reputation and operating results.

Our future performance depends in part on the services and performance of our senior management and key employees.

Our future performance will continue to depend on the services and contributions of our senior management and key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees and the hiring of new senior leaders and key employees, could significantly delay or prevent the achievement of our development and strategic objectives as we transition to new leaders and could adversely affect our business, financial condition and operating results. On February 11, 2021, we announced the retirements of our Chief Financial Officer and our Chief Legal Officer, each effective as of June 30, 2021. We may face challenges in identifying, recruiting, integrating and retaining successors for these positions. In addition, as we expand our product offerings through acquisitions, we may become dependent on the services and contributions of key personnel who join us through such acquisitions. If we are unable to integrate and retaining such personnel, our financial condition and operating results may be affected.

If we are unable to hire, retain, manage and motivate qualified personnel, our business would suffer.

Our future success and ability to innovate depends, in part, on our ability to continue to hire, retain, manage and motivate highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel or delays in hiring required personnel, may seriously harm our business, financial condition and operating results. Our ability to continue to attract and retain highly skilled personnel, specifically employees with technical and engineering skills and employees with language skills and cultural knowledge of the geographic markets we have recently expanded to or that we intend to expand to in the near future, will be critical to our future success. Additionally, due to the COVID-19 pandemic, we have temporarily closed offices and required substantially all personnel to work remotely through at least June 30, 2021. We may experience difficulties onboarding new employees, managing employees and maintaining our culture while we work remotely.

Competition for highly skilled personnel is frequently intense, particularly in U.S. tech hubs such as the San Francisco Bay area, Seattle, Austin and the Boston area. Competition may be exacerbated by intensified restrictions on travel and social distancing during the COVID-19 pandemic and other future health crises. To the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. We are limited in our ability to recruit global talent by U.S. immigration laws, including those related to H1-B visas. The demand for H-1B visas to fill highly-skilled IT and computer science jobs is greater than the number of H-1B visas available each year. In addition, the regulatory environment related to immigration under the current presidential administration may increase the likelihood that immigration laws may be modified to further limit the availability of H1-B visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire and retain qualified skilled personnel, which could adversely impact our business, operating results and financial condition.

We issue equity awards to certain of our employees as part our hiring and retention efforts. As a public company, the ability of our employees to sell their stock received pursuant to equity awards in the public market may lead to a larger than normal turnover rate. In addition, we are required under GAAP to recognize compensation expense in our operating results for employee equity-based compensation under our equity grant programs, which may negatively impact our operating results and may increase the pressure to limit equity-based compensation.

If we are unable to maintain our contractual relationships with existing partners or establish new contractual relationships with potential partners, we may not be able to offer the products and related functionality our customers expect.

We maintain a network of different types of partners, some of which create integrations with our products. For example, we partnered with Microsoft and Open-Xchange to offer Office 365 email and related productivity tools and Workspace Professional Email, respectively, to our customers. We also worked to make certain of our products interoperable with services such as Yelp, Google, Amazon, WhatsApp and Instagram. In addition, we provide payment options for customers' websites through providers such as PayPal, Stripe, Square and Mercado Libre. We have invested and will continue to invest in partner programs to provide new product offerings to our customers and help us attract additional customers. However, our relationships with our partners may not be as successful in generating new customers as we anticipate, which could adversely affect our ability to increase our total customers. Further, these programs could require substantial investment while providing no assurance of return or incremental revenue. We also rely on some of our partners to create integrations with third-party applications and platforms used by our customers, such as the email encryption service provided by ProofPoint, email backup and migration services provided by SkyKick and email archiving services provided by Barracuda. If our partners fail to create such integrations, or if they change the features of their applications or alter the terms governing use of their applications in an adverse manner, demand for our products could decrease, which would harm our business and operating results. If we are unable to maintain our contractual relationships with existing partners or establish new contractual relationships with potential partners, we may not be able to offer the products and related functionality our customers expect, and we may experience delays and increased costs in adding customers and may lose customers. Any ineffectiveness of our partner programs could materially adversely affect our business and results of operations. In addition, our partners may increase the fees they charge us or offer their services on terms that are less than favorable to us, including in connection with renewal negotiations. Such increased costs or less than favorable terms could result in increased costs to customers and potential loss of customers, which could have an adverse impact on our results of operations.

Our failure to properly register or maintain our customers' domain names could subject us to additional expenses, claims of loss or negative publicity that could have a material adverse effect on our business.

System and process failures related to our domain name registration service may result in inaccurate and incomplete information in our domain name database. Despite testing, system and process failures and other vulnerabilities may remain undetected or unknown, which could result in compromised customer data, loss of or delay in revenues, failure to achieve market acceptance, injury to our reputation or increased product costs, any of which could harm our business. Furthermore, the requirements for securing and renewing domain names vary from registry to registry and are subject to change. We cannot guarantee we will be able to readily adopt and comply with the various registry requirements. Our failure or inability to properly register or maintain our customers' domain names, whether as a result of the actions of our customers or us, might result in significant expenses and subject us to claims of loss or to negative publicity, which could harm our business, brand and operating results.

We rely heavily on the reliability, security and performance of our internally developed systems and operations. Any difficulties in maintaining these systems may result in damage to our brand, service interruptions, decreased customer service or increased expenditures.

The reliability and continuous availability of the software, hardware and workflow processes underlying our internal systems, networks and infrastructure and the ability to deliver our products are critical to our business. Any interruptions resulting in our inability to timely deliver our products or customer care, or materially impacting the efficiency or cost with which we provide our products and customer care, would harm our brand, profitability and ability to conduct business. In addition, many of the software and other systems we currently use will need to be enhanced over time or replaced with equivalent commercial products or services, which may not be available on commercially reasonable terms or at all. Enhancing or replacing our systems, networks or infrastructure could entail considerable effort and expense. If we fail to develop and execute reliable policies, procedures and tools to operate our systems, networks or infrastructure, we could face a substantial decrease in workflow efficiency and increased costs, as well as a decline in our revenue.

We rely on a limited number of data centers to deliver many of our products. If we are unable to renew our data center agreements on favorable terms, or at all, our operating margins and profitability could be adversely affected and our business could be harmed.

We own one of our data centers and lease our remaining data center capacity from wholesale providers. We occupy our leased data center capacity pursuant to co-location service agreements with third-party data center facilities, which have built and maintain the co-located data centers for us and other parties. Although we have begun to service some of our customers through our cloud infrastructure as part of our partnership with AWS, we still serve customers from our GoDaddy-owned, Arizona-based data center as well as domestic and international co-located data center facilities located in Arizona, California, Missouri, Virginia, New York, France, Germany, the Netherlands, Singapore and the U.K. Although we own the servers in these co-located data centers and engineer and architect the systems upon which our platforms run, we do not control the operation of these facilities, and we depend on the operators of these facilities to ensure their proper security and maintenance.

Despite precautions taken at our data centers, these facilities may be vulnerable to damage or interruption from break-ins, computer viruses, crypto-jacking, DDOS or other cyber attacks, acts of terrorism, vandalism or sabotage, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. The occurrence of any of these events or other unanticipated problems at these facilities could result in loss of data (including personal or payment card information), lengthy interruptions in the availability of our services and harm to our reputation and brand. While we have disaster recovery arrangements in place, they have been tested in only very limited circumstances and not during any large-scale or prolonged disasters or similar events.

The terms of our existing co-located data center agreements vary in length and expire on various dates through 2033. Only some of our agreements with our co-located data centers provide us with options to renew under negotiated terms. We also have agreements with other critical infrastructure vendors which provide all of our facilities, including our data centers, with bandwidth, fiber optics and electrical power. None of these infrastructure vendors are under any obligation to continue to provide these services after the expiration of their respective agreements with us, nor are they obligated to renew the terms of those agreements.

Our existing co-located data center agreements may not provide us with adequate time to transfer operations to a new facility in the event of early termination. If we were required to move our equipment to a new facility without adequate time to plan and prepare for such migration, we would face significant challenges due to the technical complexity, risk and high costs of the relocation. Any such migration could result in significant costs for us and may result in data loss and significant downtime for a significant number of our customers which could damage our reputation, cause us to lose current and potential customers and adversely affect our operating results and financial condition.

Our business is exposed to risks associated with credit card and other payment chargebacks, fraud and new payment methods.

A majority of our revenue is processed through credit cards and other online payments. If our refunds or chargebacks increase, our processors could require us to create reserves, increase fees or terminate their contracts with us, which would have an adverse effect on our financial condition. Our failure to limit fraudulent transactions conducted on our websites, such as the fraudulent sale of domains on our aftermarket platform using stolen account credentials and credit card numbers, could increase the number of refunds we have to process and could also subject us to liability and adversely impact our reputation. Under credit card association rules, penalties may be imposed at the discretion of the association for inadequate fraud protection. Any such potential penalties would be imposed on our credit card processor by the association. Under our contracts with our payment processors, we are required to reimburse them for such penalties. However, we face the risk that we may fail to maintain an adequate level of fraud protection and that one or more credit card associations or other processors may, at any time, assess penalties against us or terminate our ability to accept credit card payments or other form of online payments from customers, which would have a material adverse effect on our business, financial condition and operating results. In addition, as we expand our presence in offline commerce through the acquisition of Poynt, we face additional risks in payment processing due to merchant screening, hardware failures, hardware servicing and manufacturing costs, and risks associated with the interface of our hardware products with third-party mobile devices.

We could also incur significant fines or lose our ability to give customers the option of using credit cards to pay for our products if we fail to follow payment card industry data security standards, even if there is no compromise of the cardholder information covered by these standards. Although we believe we are in compliance with payment card industry data security standards and do not believe there has been a compromise of cardholder information, it is possible that at times either we or any of our acquired companies may not have been in full compliance with these standards. Accordingly, we could be fined, which could impact our financial condition, or certain of our products could be suspended, which would cause us to be unable to process payments using credit cards. If we are unable to accept credit card payments, our business, financial condition and operating results may be adversely affected.

In addition, we could be liable if there is a breach of the payment information we store. Online commerce and communications depend on the secure transmission of confidential information over public networks. Additionally, as we expand our offline commercial offerings through the acquisition of Poynt, we face additional burdens in securing and transmitting payment information. We rely on encryption and authentication technology to authenticate and secure the transmission of confidential information, including cardholder information. However, we cannot ensure this technology will prevent breaches of the systems we use to protect cardholder information. Although we maintain network security insurance, we cannot be certain our coverage will be adequate for liabilities actually incurred or insurance will continue to be available to us on reasonable terms, or at all. In addition, some of our partners also collect or possess information about our customers, and we may be subject to litigation or our reputation may be harmed if our partners fail to protect our customers' information or if they use it in a manner inconsistent with our policies and practices. Data breaches can also occur as a result of non-technical issues. Under our contracts with our processors, if there is unauthorized access to, or disclosure of, credit card information we store, we could be liable to the credit card issuing banks for their cost of issuing new cards and related expenses.

Moreover, in the future we may explore accepting various forms of payment that may have higher fees and costs than our current payment methods. If our customers utilize alternative payment methods, our payment costs could increase and our operating results could be adversely impacted.

Financial Risks

Our quarterly and annual operating results may be adversely affected due to a variety of factors, which could make our future results difficult to predict and could cause our operating results to fall below investor or analyst expectations.

Our quarterly and annual operating results and key metrics have varied from period to period in the past, and may fluctuate in the future as a result of a number of factors, many of which are outside of our control, including:

- our ability to attract new customers and retain existing customers;
- the timing and success of introductions of new products;
- changes in the growth rate of small businesses and ventures;
- changes in renewal rates for our subscriptions and our ability to sell additional products to existing customers;

- refunds to our customers could be higher than expected;
- the timing of revenue recognition relative to the recording of the related expense;
- any negative publicity or other actions which harm our brand;
- the timing of our marketing expenditures;
- the mix of products sold and our use of freemium promotions for those products;
- our ability to maintain a high level of personalized customer care and resulting customer satisfaction;
- competition in the market for our products;
- our ability to expand internationally;
- changes in foreign currency exchange rates;
- rapid technological change, frequent new product introductions and evolving industry standards;
- our ability to implement new financial and other administrative systems;
- actual or perceived data security incidents;
- systems, data center and Internet failures, breaches and service interruptions;
- actions by foreign governments that reduce access to the Internet for their citizens;
- changes in U.S. or foreign regulations, such as the GDPR and CCPA, that could impact one or more of our product offerings or changes to regulatory bodies, such as ICANN, as well as increased regulation by governments or multi-governmental organizations, such as the International Telecommunications Union, a specialized agency of the United Nations or the E.U., that could affect our business and our industry;
- a delay in the authorization of new TLDs by ICANN or our ability to successfully on-board new TLDs which would impact the breadth of our customer offerings;
- any changes in industry rules restricting our ability to hold domains for sale on the aftermarket;
- shortcomings in, or misinterpretations of, our metrics and data which cause us to fail to anticipate or identify market trends;
- terminations of, disputes with, or material changes to our relationships with third-party partners, including referral sources, product partners and payment processors;
- reductions in the selling prices for our products;
- costs and integration issues associated with our recent acquisitions of Over, Uniregistry's registrar and brokerage business, Neustar's registry business, SkyVerge and Poynt in 2020 and any other acquisitions we may make;
- changes in legislation affecting our collection of indirect taxes both in the U.S. and in foreign jurisdictions;
- increases in rates of failed sales on our aftermarket platform for transactions in which we act as the primary obligor, resulting in higher than expected domain portfolio assets;
- timing of expenses;
- macroeconomic conditions and the impact on the worldwide economy and our financial results as a result of the COVID-19 pandemic;
- threatened or actual litigation; and
- loss of key employees.

Any one of the factors above, or the cumulative effect of some of the factors referred to above, may result in significant fluctuations in our quarterly or annual operating results, including fluctuations in our key financial and operating metrics, our ability to forecast those results and our ability to achieve those forecasts. This variability and unpredictability could result in our failing to meet our revenue, bookings or operating results expectations or those of securities analysts or investors for any period. In addition, a significant percentage of our operating expenses are fixed in nature and based on forecasted revenue and bookings trends. Accordingly, in the event of revenue or bookings shortfalls, we are generally unable to mitigate the negative impact on operating results in the short term.

We may release guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, based on predictions by management, which are necessarily speculative in nature. Our guidance may vary materially from actual results for a variety of reasons, including that our cash generation may be uneven across quarters. If our revenue, bookings or operating results, or the rate of growth of our revenue, bookings or operating results, fall below the expectations of our investors or securities analysts, or below any forecasts or guidance we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met our own or other publicly stated revenue, bookings or earnings forecasts. Our failure to meet our own or other publicly stated revenue, bookings or earnings forecasts, or even when we meet our own forecasts but fall short of securities analyst or investor expectations, could cause our stock price to decline and expose us to lawsuits, including securities class action suits. Such litigation could impose substantial costs and divert management's attention and resources.

We may not be able to maintain profitability in the future.

We had a net loss of $494 million in 2020 and net income of $138 million and $82 million in 2019 and 2018 respectively. While we have experienced revenue growth over these same periods, we may not be able to sustain or increase our growth or maintain profitability in the future or on a consistent basis, including as a result of the impact of the COVID-19 pandemic on customer demand for our products and our costs associated with modifying our operations, including moving all personnel to work remotely, in response to COVID-19. We have incurred substantial expenses and expended significant resources upfront to market, promote and sell our products. We also expect to continue to invest for future growth. In addition, we expect to continue to incur significant accounting, legal and other expenses as a public company. Furthermore, we have incurred in recent periods, and may incur in future periods, large expenses which are not recurring, but which nonetheless negatively impact our GAAP operating results.

As a result of our increased expenditures, we will have to generate and sustain increased revenue to maintain future profitability. Maintaining profitability will require us to ensure revenues continue to increase while managing our cost structure and avoiding significant liabilities. Revenue growth may slow or decline, or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions such as the COVID-19-related global economic slowdown, increased competition, a decrease in the growth of the markets in which we operate, or if we fail for any reason to continue to capitalize on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

In addition, because we have a substantial accumulated deficit, if we are unable to maintain profitability in future periods, we may be restricted under Delaware law in our ability to take certain corporate actions, including the payment of dividends or the repurchase of shares of our Class A common stock.

We may need additional equity, debt or other financing in the future, which we may not be able to obtain on acceptable terms, or at all, and any additional financing may result in restrictions on our operations or substantial dilution to our stockholders.

We may need to raise funds in the future, for example, to develop new technologies, expand our business, respond to competitive pressures, refinance our existing indebtedness and make acquisitions or other strategic arrangements. We may try to raise additional funds through public or private financings, strategic relationships or other arrangements, or by refinancing our existing indebtedness.

Our ability to obtain any financing will depend on a number of factors, including market conditions, our operating performance, investor interest and, in the case of debt financing, our debt levels, expected debt amortization, interest rates and our credit rating. Volatility in the credit markets, including due to the COVID-19 pandemic, may have an adverse effect on our ability to obtain debt financing. Our credit rating may also be affected by our liquidity, financial results, economic risk or other factors, which may increase the cost of future financings. Any additional funding may not be available to us on acceptable terms or at all. If financing is not available, we may be required to reduce expenditures, including curtailing our growth strategies, foregoing acquisitions or reducing our product development efforts. If we succeed in raising additional funds through the issuance of equity or equity-linked securities, then existing stockholders could experience substantial dilution. If we raise additional funds through the issuance of debt securities or preferred stock, these new securities would have rights, preferences and privileges senior to those of the holders of our Class A common stock. In addition, any such issuance could subject us to restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital, respond to competitive pressures and pursue business opportunities, including potential acquisitions. Further, to the extent we incur additional indebtedness or such other obligations, the risks associated with our substantial leverage described elsewhere in this filing, including our possible inability to service our debt, would increase. Additionally, events and circumstances may occur that would cause us to not be able to satisfy applicable draw-down conditions and utilize our revolving line of credit. Although our credit agreements and the indenture governing our Senior Notes limit our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and may be amended with the consent of the requisite lenders or holders, as applicable. Accordingly, under certain circumstances, the amount of additional indebtedness that we may incur may be substantial.

Because we are generally required to recognize revenue for our products over the term of the applicable agreement, changes in our sales may not be immediately reflected in our operating results.

As described in Note 2 to our audited financial statements, we generally recognize revenue from our customers ratably over the respective terms of their subscriptions in accordance with GAAP. Our subscription terms average one year, but can range from monthly terms to multi-annual terms of up to 10 years depending on the product. Accordingly, increases in sales during a particular period do not translate into immediate, proportional increases in revenue during such period, and a substantial portion of the revenue we recognize during a quarter is derived from deferred revenue from customer subscriptions we entered into during previous quarters. As a result, our margins may suffer despite substantial sales activity during a particular period, since GAAP does not permit us to recognize all of the revenue from our sales immediately. Conversely, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue for that quarter and the existence of substantial deferred revenue may prevent deteriorating sales activity from becoming immediately observable in our statements of operations. In addition, we may not be able to adjust spending in a timely manner to compensate for any unexpected sales shortfall, and any significant shortfall relative to planned expenditures could negatively impact our business and results of operations.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

We are subject to income taxes in the U.S. and various foreign jurisdictions, and our domestic and international tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Significant judgment is required in determining our global provision for income taxes, deferred tax assets or liabilities and in evaluating our tax positions on a worldwide basis. While we believe our tax positions are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible these positions may be contested or overturned by jurisdictional tax authorities, which may have a significant impact on our global provision for income taxes. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the laws are issued or applied. Many countries in the E.U., as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets (DTAs) and liabilities (DTLs);
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of equity-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by federal and state and foreign tax authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

Our only material asset is our economic interest in Desert Newco, and we are accordingly dependent upon distributions from Desert Newco to pay our expenses, taxes and dividends (if and when declared by our board of directors).

We are a holding company and have no material assets other than our ownership of limited liability company units of Desert Newco (LLC Units). We have no independent means of generating revenue or cash flows. We have caused, and intend to continue to cause, Desert Newco to make distributions to us, as its managing member, in an amount sufficient to cover all expenses, applicable taxes payable and dividends, if any, declared by our board of directors. To the extent we need funds and Desert Newco is restricted from making such distributions under applicable law or regulation or under any present or future debt covenants or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition, results of operations and cash flows.

Our ability to pay taxes and expenses may be limited by our structure.

Our principal asset, owned either directly or through our wholly owned subsidiary GD Subsidiary Inc., is a controlling equity interest in Desert Newco. As such, we have no independent means of generating revenue or cash flows. Desert Newco is treated as a partnership for U.S. income tax purposes and, as such, is generally not subject to income tax in most jurisdictions. Instead, Desert Newco's taxable income or loss is passed through to its members, including us. Accordingly, we incur income taxes on our allocable share of any net taxable income of Desert Newco.

In addition to tax expenses, we also incur expenses related to our operations. We intend to cause Desert Newco to make distributions or, in the case of certain expenses, payments in an amount sufficient to allow us to pay our taxes and operating expenses. However, Desert Newco's ability to make such distributions may be subject to various limitations and restrictions.

We are a holding company and rely on Desert Newco to provide us with funds necessary to meet any financial obligations. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations (as a result of Desert Newco's inability to make distributions to us due to various limitations and restrictions), we may have to borrow funds and thus our liquidity and financial condition could be materially and adversely affected.

Under the TRA Settlement Agreements, we will not be reimbursed for any payments made to our pre-IPO owners in the event any TRA-related tax benefits are later disallowed, or if sufficient profitability to utilize TRA-related tax savings is not achieved.

If the IRS challenges the tax basis or NOLs giving rise to payments under the TRAs, and the tax basis or NOLs are subsequently disallowed, the recipients of payments under those agreements will not reimburse us for any payments previously made to them under the TRA Settlement Agreements. Additionally, if we are unable to achieve sufficient profitability in future periods, we will be unable to fully utilize the anticipated tax savings. Any such disallowance of estimated future tax reductions or failure to achieve anticipated tax savings could have a substantial negative impact on our liquidity and limit our ability to invest further in our business, including our ability to pursue future acquisition opportunities and share repurchases.

Our substantial indebtedness could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business and our ability to react to changes in the economy or our industry, as well as divert our cash flow from operations for debt payments and prevent us from meeting our debt obligations.

Our substantial indebtedness, including our credit facility and the Senior Notes, could have a material adverse effect on our business and financial condition, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and pursue future business opportunities;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- exposing us to increased interest expense, as our degree of leverage may cause the interest rates of any future indebtedness, whether fixed or floating rate interest, to be higher than they would be otherwise;
- exposing us to the risk of increased interest rates because certain of our indebtedness bears interest at variable rates;
- creating a risk of foreclosure if we default on our indebtedness and are unable to pay any accelerated obligations;

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants, could result in a default accelerating our obligations to repay indebtedness;
- restricting us from making strategic acquisitions;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, satisfaction of debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who may be better positioned to take advantage of opportunities our leverage prevents us from exploiting.

We may incur significant additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on our incurrence of additional indebtedness and entry into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions and we may amend such agreements with the consent of the requisite parties thereto. In addition, these restrictions also do not prevent us from incurring certain obligations, such as trade payables.

The agreements governing our indebtedness impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities and making payments on our indebtedness.

The agreements governing our indebtedness, including our credit facility and the Senior Notes, impose significant operating and financial restrictions on us. These restrictions limit the ability of our subsidiaries, and effectively place restrictions on our ability to, among other things:

- incur or guarantee additional debt or issue disqualified equity interests;
- pay dividends and make other distributions on, or redeem or repurchase, capital stock;
- prepay, redeem or repurchase certain junior debt;
- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge, consolidate or make certain other fundamental changes;
- enter into agreements restricting the ability of restricted subsidiaries to make certain intercompany dividends, distributions, payments or transfers; and
- transfer or sell assets.

In addition, our credit facility requires us to comply with specified leverage ratios under certain circumstances. Our ability to comply with these provisions may be affected by events beyond our control, and these provisions could limit our ability to plan for or react to market conditions, meet capital needs or otherwise conduct our business.

As a result of the restrictions described above, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. There can be no assurance that we will be able to comply with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the applicable lenders or holders or amend the covenants. Our failure to comply with these restrictive covenants as well as other terms of our indebtedness or the terms of any future indebtedness could result in a default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our results of operations and financial condition could be adversely affected.

Our ability to service our indebtedness and, in particular, repay such indebtedness at maturity will depend on our cash flow from operations and our compliance with the agreements governing our indebtedness.

Economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control, may have an adverse effect on our future operating performance and cash flows, which could adversely affect our ability to service our indebtedness and repay such indebtedness at maturity. If we do not generate sufficient cash to service our indebtedness and repay such indebtedness at maturity, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the credit or capital markets and our financial condition at such time. Any refinancing of our debt could result in higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Global economic conditions have in the past resulted in the actual or perceived failure or financial difficulties of many financial institutions. As such, it may be difficult to find other sources of capital if needed. The terms of the agreements governing our indebtedness or any such future agreements we may enter into may restrict us from adopting some of these alternatives. In addition, any failure to make scheduled payments on our indebtedness would likely result in a reduction of our credit rating, which could harm our ability to access additional capital on commercially reasonable terms or at all.

Each of our subsidiaries is a distinct legal entity and may be subject to legal or contractual restrictions limiting their ability to make distributions to us, which could negatively affect our ability to service our indebtedness and repay such indebtedness at maturity. For example, our restricted subsidiaries may be able to incur encumbrances containing restrictions on their ability to pay dividends or make other intercompany payments to us. In the event we do not receive sufficient cash from our subsidiaries, we will be unable to make required payments on our indebtedness. In addition, if we repatriate funds from our international subsidiaries to service our indebtedness, we may be subject to a higher effective tax rate, which could negatively affect our results of operations and financial condition.

In the event of a default under our credit facility, Senior Notes or any future agreements governing our indebtedness and our failure to obtain a waiver of such default, our lenders or holders could exercise their right to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, which could have a negative impact on our ability to operate our business. In addition, the lenders under our credit facility could also elect to terminate their commitments, cease making further loans and institute foreclosure proceedings, and we may, as a result, seek protection under the U.S. bankruptcy code.

We may be required to repurchase some of the Senior Notes upon a change of control triggering event.

Holders of the Senior Notes can require us to repurchase the Senior Notes upon a change of control. Our ability to repurchase the Senior Notes may be limited by law or the terms of other agreements relating to our indebtedness. In addition, we may not have sufficient funds to repurchase the Senior Notes or have the ability to arrange necessary financing on acceptable terms, if at all. A change of control may also constitute a default under, or result in the acceleration of the maturity of, our other then-existing indebtedness, including our credit facility. Our failure to repurchase the Senior Notes would result in a default under the Senior Notes, which may result in the acceleration of the Senior Notes and other then-existing indebtedness, including our credit facility. We may not have sufficient funds to make any payments triggered by such acceleration, which could result in foreclosure proceedings and our seeking protection under the U.S. bankruptcy code.

Legal and Regulatory Risks

Governmental and regulatory policies or claims concerning the domain name registration system and the Internet in general, and industry reactions to those policies or claims, may cause instability in the industry and disrupt our business.

ICANN is a multi-stakeholder, private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of Internet related tasks, including managing the DNS allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. We are accredited by ICANN as a domain name registrar and thus our ability to offer domain name registration products is subject to our ongoing relationship with, and accreditation by, ICANN. ICANN has been subject to strict scrutiny by the public and governments around the world, as well as multi-governmental organizations such as the United Nations, with many of those bodies becoming increasingly interested in Internet governance. If ICANN is not seen as adequately responsive to stakeholder concerns, governments around the world may decide to implement regulatory frameworks independent of ICANN, leading to a fragmentation of the domain name registration system, which could negatively affect our operations and financial results.

Additionally, we continue to face the possibility that:

- the new structure and accountability mechanisms contained in ICANN's new bylaws are not fully tested, which may result in ICANN not being accountable to its stakeholders and unable to make, implement or enforce its policies;
- the Internet community, key commercial industry participants, the U.S. government or other governments may (i) refuse to recognize ICANN's authority or support its policies, (ii) attempt to exert pressure on ICANN, or (iii) enact laws in conflict with ICANN's policies, each of which could create instability in the domain name registration system;
- governments, via ICANN's Governmental Advisory Committee (GAC), may seek greater influence over ICANN policies and contracts with registrars and may advocate changes that may adversely affect our business;
- some of ICANN's policies and practices, such as ICANN's position on privacy and proxy domain name registrations, and the policies and practices adopted by registries and registrars, could be found to conflict with the laws of one or more jurisdictions, including the GDPR, or could be materially changed in a way that negatively impacts the sale of our products;
- the terms of the Registrar Accreditation Agreement (the RAA) under which we are accredited as a registrar or the Registry Agreement (the RA) under which we are accredited as a registry, could change in ways that are disadvantageous to us or under certain circumstances could be terminated by ICANN, thereby preventing us from operating our registrar or registry service, or ICANN could adopt unilateral changes to the RAA or RA that are unfavorable to us, that are inconsistent with our current or future plans, or that affect our competitive position;
- international regulatory or governing bodies, such as the International Telecommunications Union, a specialized agency of the United Nations, or the E.U., may gain increased influence over the management and regulation of the domain name registration system, leading to increased regulation in areas such as taxation, privacy and the monitoring of our customers' hosted content;
- ICANN or any third-party registries may implement policy changes impacting our ability to run our current business practices throughout the various stages of the lifecycle of a domain name;
- the U.S. Congress or other legislative bodies in the U.S. could take action unfavorable to us or influencing customers to move their business from our products to those located outside the U.S.;
- the U.S. Congress or other legislative bodies in the U.S. or in other countries could adopt laws that erode the safe harbors from third-party liability in the CDA and DMCA;
- ICANN could fail to maintain its role, potentially resulting in instability in DNS services administration and operation;
- our recent acquisition of the registry business of Neustar, resulting in the vertically integrated operation of a registrar and registry, could lead to increased regulatory scrutiny;
- governments and governmental authorities may impose requirements for, or prohibit, the registration of domain names containing certain words or phrases;
- some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN and registries relating to the DNS, which could fragment the single, unitary Internet into a loosely-connected group of one or more networks, each with different rules, policies and operating protocols; and
- multi-party review panels established by ICANN's new bylaws may take positions unfavorable to our business.

If any of these events occur, they could create instability in the domain name registration system and may make it difficult for us to continue to offer existing products and introduce new products, or serve customers in certain international markets. These events could also disrupt or suspend portions of our domain name registration product and subject us to additional restrictions on how the registrar and registry products businesses are conducted, which would result in reduced revenue.

In addition, the requirements of the privacy laws around the world, including the GDPR, are known to be in conflict with ICANN's policies and contracts related to how registrars collect, transmit and publish the personal information of domain name registrants in publicly accessible WHOIS directories. Although ICANN implemented a temporary policy to alleviate some of these conflicts, we are working with ICANN and our industry counterparts to reconcile these conflicts. If ICANN is unable or unwilling to harmonize these policies and contracts with applicable privacy laws, our efforts to comply with applicable laws may cause us to violate our existing ICANN contractual obligations. As a result, we could experience difficulties in selling domain names and keeping our existing customer domain names under management if we are unable to reach an amicable contractual solution with ICANN, which could have a material adverse effect on our operations and revenue.

ICANN periodically authorizes the introduction of new TLDs, and we may not have the right to register new domain names to our customers based on such TLDs, which could adversely impact our business and results of operations.

ICANN has periodically authorized the introduction of new TLDs and made domain names related to them available for registration. Our competitive position depends in part on our ability to secure access to these new TLDs. A significant portion of our business relies on our ability to sell domain name registrations to our customers, and any limitations on our access to newly-created TLDs could adversely impact our ability to sell domain name registrations to customers, and thus adversely impact our business.

In 2013, ICANN significantly expanded the number of gTLDs, which resulted in the delegation of new gTLDs commencing in 2014, which we refer to as the Expansion Program. We and certain of our competitors have expended resources filing gTLD applications under the Expansion Program to pursue the acquisition of gTLD operator rights. For example, we secured the rights to become the registry for .godaddy, a gTLD. We expect to continue to pursue operator rights for new gTLDs as they are introduced, but we may be unsuccessful in securing such rights. The Expansion Program could substantially change the domain name industry in unexpected ways and is expected to result in an increase in the number of domains registered by our competitors.

In addition, if registries participating in the Expansion Program cease operations for any reason, we may have to dedicate customer care and development resources to transition our customers' domains to a new gTLD registry. If a large number of such registries fail, it could diminish consumer confidence in our industry and reduce our future sales of domain names, either in legacy gTLDs or those gTLDs created as part of the Expansion Program. If we do not properly manage our response to the change in business environment and do not accurately predict the market's preference for specific gTLDs, it could adversely impact our competitive position or market share.

The relevant domain name registry and ICANN impose a charge upon each registrar for the administration of each domain name registration. If these fees increase, it would have a significant impact upon our operating results.

Each registry typically imposes a fee in association with the registration of each domain name. For example, VeriSign, the registry for .com and .net, has a current list price of $7.85 annually for each .com registration, and ICANN currently charges $0.18 annually for most domain names registered in the gTLDs falling within its purview. In 2016, VeriSign and ICANN agreed VeriSign will continue to be the exclusive registry for the .com gTLD through November 2024. In 2018, Verisign and the U.S. Department of Commerce agreed to extend their Cooperative Agreement through 2024. As part of that extension, Verisign has the right to raise .com wholesale prices up to 7% (per registration year) each year starting in November 2020, subject to ICANN's approval. In March 2020, VeriSign and ICANN amended the .com registry agreement to allow fees to be increased to no more than $10.26 annually for each .com registration. In February 2021, Verisign announced that it will increase the annual registry-level wholesale fee for new and renewal .com domain name registrations to $8.39, effective September 1, 2021. If fees continue to increase, costs to our customers could be higher, which could have an adverse impact on our results of operations. We have no control over ICANN, VeriSign or other domain name registries and cannot predict their future fee structures.

While we do not currently do so, we have the discretion to impose service fees on our customers in the future. In addition, pricing of new gTLDs is generally not set or controlled by ICANN, which in certain instances has resulted in aggressive price increases on certain particularly successful new gTLDs. The increase in these fees with respect to any new gTLD either must be included in the prices we charge to our customers, imposed as a surcharge or absorbed by us. If we absorb such cost increases or if surcharges result in decreases in domain registrations, our business, operating results and financial performance may be adversely affected.

We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations. Our failure to comply with these or any future laws, regulations or obligations could subject us to sanctions and damages and could harm our reputation and business.

We are subject to a variety of laws and regulations, including regulation by various federal government agencies, including the Federal Trade Commission (FTC), Federal Communications Commission (FCC) and state and local agencies. We collect personal information, including payment card information, and other data from our current and prospective customers, website users and employees. The U.S. federal and various state and foreign governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personal information or other data of individuals, including payment card information, and the FTC and many state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data. Self-regulatory obligations, other industry standards, policies and other legal obligations may apply to our collection, distribution, use, security or storage of personal information or other data relating to individuals, including payment card information. These obligations may be interpreted and applied inconsistently from one jurisdiction to another and may conflict with one another, other regulatory requirements or our internal practices. Any failure or perceived failure by us to comply with U.S., E.U. or other foreign privacy or security laws, policies, industry standards or legal obligations or any security incident resulting in the unauthorized access to, or acquisition, release or transfer of, personal information or other data relating to our customers, employees and others, including payment card information, may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

We expect there will continue to be newly enacted and proposed laws and regulations as well as emerging industry standards concerning privacy, data protection and information security in the U.S., the E.U. and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Such laws, regulations, standards and other obligations could impair our ability to, or the manner in which we, collect or use information to target advertising to our customers, thereby having a negative impact on our ability to maintain and grow our total customers and increase revenue. For example, California recently enacted the CCPA that, among other things, requires covered companies to provide new disclosures to California consumers and afford such consumers new rights, including the right to opt-out of certain sales of personal information or opt-into certain financial incentive programs. The enforcement of the CCPA by the California Attorney General began on July 1, 2020. The CCPA has been amended on multiple occasions and is the subject of regulations of the California Attorney General finalized on August 14, 2020. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Additionally, a new privacy law, the California Privacy Rights Act (CPRA), was approved by California voters in the November 3, 2020 election. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with implementing regulations expected on or before July 1, 2022, and enforcement beginning July 1, 2023. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Future restrictions on the collection, use, sharing or disclosure of our users' data or additional requirements for express or implied consent of users for the use, disclosure or other processing of such information could increase our operating expenses, require us to modify our products, possibly in a material manner, or stop offering certain products, and could limit our ability to develop and implement new product features.

In particular, with regard to transfers to the U.S. of personal data (as such term is used in the GDPR and applicable E.U. member state legislation, and as similarly defined under the proposed ePrivacy Regulation) from our employees and European customers and users, we historically relied upon the U.S.-E.U. Privacy Shield, as well as E.U. Model Clauses in certain circumstances. The U.S.-E.U. Privacy Shield was recently invalidated by the Court of Justice of the European Union in July 2020, and the E.U. Model Clauses have been subject to legal challenge and may be modified or invalidated. We may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the European Economic Area (EEA). We are in the process of assessing the "Schrems II" decision issued by the Court of Justice of the European Union on July 16, 2020, and its impact on our data transfer mechanisms. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens, and we and our customers face the potential for regulators in the EEA to apply different standards to the transfer of personal data from the EEA to the U.S., and to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA to the U.S. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf. We may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA residents. The regulatory environment applicable to the handling of EEA residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and could result in our business, operating results and financial condition being harmed. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In addition, several foreign countries and governmental bodies, including the E.U., Brazil, and Canada, have laws and regulations concerning the collection and use of their residents' personal information, including payment card information, which are often more restrictive than those in the U.S. laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information, including payment card information identifying, or which may be used to identify, an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol (IP) addresses, device identifiers and other data. Although we are working to comply with those laws and regulations applicable to us, these and other obligations may be modified and interpreted in different ways by courts, and new laws and regulations may be enacted in the future. Within the EEA, the GDPR took full effect on May 25, 2018, becoming directly applicable across E.U. member states. The GDPR includes stringent operational requirements for processors and controllers of personal data, for companies established in the EEA and those outside the EEA that collect and use personal data (including payment card information) imposes significant penalties for non-compliance and has broader extra-territorial effect. As the GDPR is a regulation rather than a directive, it applies throughout the EEA, but permits member states to enact certain supplemental requirements if they so choose. Noncompliance with the GDPR can trigger fines of up to the greater of €20 million or 4% of global annual revenues. The U.K. exited the E.U. effective January 31, 2020. Brexit has created uncertainty with regard to the regulation of data protection in the U.K. The U.K. has implemented legislation substantially implementing the GDPR, and the European Commission and the United Kingdom government announced a E.U.-U.K. Trade and Cooperation Agreement on December 24, 2020, providing for a temporary free flow of personal data between the E.U. and the U.K. It remains to be seen how the U.K.'s withdrawal from the E.U. will impact the manner in which U.K data protection laws or regulations will develop and how data transfers to and from the U.K will be regulated and enforced by the U.K. Information Commissioner's Office, E.U. data protection authorities, or other regulatory bodies in the longer term. In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

Any new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. For example, many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. These mandatory disclosures regarding a security breach, or any other disclosures we may choose to undertake, could result in an increased risk of litigation and/or negative publicity to us, which may cause our customers to lose confidence in the effectiveness of our data security measures which could impact our operating results. In addition, we are required under the GDPR to respond to customers' SARs and under the CCPA to similar customer requests, each within a certain time period, which entails determining what personal data is being processed, the purpose of any such data processing, to whom such personal data has been disclosed (and in the case of the CCPA, sold) and whether personal data is being disclosed for the purpose of making automated decisions relating to that customer. We may dedicate significant resources to responding to our customers' SARs, which could have a negative impact on our operating results. In addition, a failure to respond to SARs properly could result in fines, negative publicity and damage to our business.

If our privacy or data security measures fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or are perceived to have done so, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, other legal obligations or industry standards, or any changed interpretations of the foregoing, limit our customers' ability to use and share personal information, including payment card information, or our ability to store, process and share such personal information or other data, demand for our products could decrease, our costs could increase and our business, operating results and financial condition could be harmed.

Activities of customers or the content of their websites could damage our reputation and brand or harm our business and financial results.

As a provider of domain name registration and hosting and presence products, we may be subject to potential liability and negative publicity for the activities of our customers on or in connection with their domain names or websites or for the data they store on our servers. In addition, as we expand our social media management and professional web services, we may be subject to potential liability for any content we create on behalf of our customers. Although our terms of service prohibit illegal use of our products by our customers and permit us to take down or suspend websites or take other appropriate actions for illegal use, customers may nonetheless engage in prohibited activities or upload or store content with us in violation of applicable law or the customer's own policies, which could subject us to liability. For example, in October 2018 following the mass shooting at a synagogue in Pittsburgh, we required the owner of gab.com to transfer that domain to another provider due to a violation of our terms of service. Furthermore, our reputation and brand may be negatively impacted by the actions of customers that are deemed to be hostile, offensive or inappropriate. We do not proactively monitor or review the appropriateness of the domain names our customers register or the content of their websites, and we do not have control over customer activities. The safeguards we have in place may not be sufficient to avoid harm to our reputation and brand, especially if such hostile, offensive or inappropriate use is high profile.

Several U.S. federal statutes may apply to us with respect to various activities of our customers, including: the Digital Millennium Copyright Act (DMCA), which provides recourse for owners of copyrighted material whose rights under U.S. copyright law have been infringed on the Internet; the Communication Decency Act (CDA), which regulates content on the Internet unrelated to intellectual property; and the Anti-Cybersquatting Consumer Protection Act (ACPA), which provides recourse for trademark owners against cybersquatters. The DMCA and the CDA generally protect online service providers that do not own or control website content posted by customers from liability for certain activities of customers, such as the posting of defamatory or obscene content, unless the online service provider is participating in the unlawful conduct. For example, the safe harbor provisions of the DMCA shield Internet service providers and other intermediaries from direct or indirect liability for copyright infringement. However, under the DMCA, we must follow the procedures for handling copyright infringement claims set forth in the DMCA including expeditiously removing or disabling access to the allegedly infringing material upon the receipt of a proper notice from, or on behalf of, a copyright owner alleging infringement of copyrighted material located on websites we host. Under the CDA, we are generally not responsible for the customer-created content hosted on our servers and thus are generally immunized from liability for torts committed by others. Consequently, we do not monitor hosted websites or prescreen the content placed by our customers. Under the safe harbor provisions of the ACPA, domain name registrars are shielded from liability in many circumstances, including cybersquatting, although the safe harbor provisions may not apply if our activities are deemed outside the scope of registrar functions. As we increasingly create content for our customers, we may not be able to rely on such safe harbors and we may be held liable for such content under the DMCA and the CDA.

Although these statutes and case law in the U.S. have generally shielded us from liability for customer activities to date, court rulings in pending or future litigation or future regulatory or legislative amendments may narrow the scope of protection afforded us under these laws. For example, there have been, and continue to be, various Congressional and executive efforts to remove or restrict the scope of the protections available under Section 230 of the CDA; if those efforts are successful, our current protections from liability for third-party content in the United States could decrease or change, potentially resulting in increased liability for third-party content and higher litigation costs. Such amendments to Section 230 of the CDA could require significant changes to our products, business practices or operations. Stop Enabling Sex Traffickers Act (SESTA) and Allow States and Victims to Fight Online Sex Trafficking Act (FOSTA) may also limit the immunity previously available to us under the CDA, which could subject us to investigations or penalties if the activities of our customers are deemed illegal or inappropriate under applicable laws and regulations. Neither the DMCA nor the CDA generally apply to claims of trademark violations, and thus they may be inapplicable to many of the claims asserted against our company. Furthermore, notwithstanding the exculpatory language of these bodies of law, the activities of our customers have resulted in, and may in the future, result in threatened or actual litigation against us. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

In addition, laws governing these activities are unsettled in many international jurisdictions and it may be difficult or impossible for us to comply with such laws. Also, other existing bodies of law, including the criminal laws of various states, may be deemed to apply or new statutes or regulations may be adopted in the future, any of which could expose us to further liability and increase our costs of doing business. In particular, legislative proposals in the E.U. could reduce or eliminate the safe harbor protection provided to us for certain activities of our customers.

Our business depends on our customers' continued and unimpeded access to the Internet and the development and maintenance of Internet infrastructure. Internet access providers may be able to block, degrade or charge for access to certain of our products, which could lead to additional expenses and the loss of customers.

Our products depend on the ability of our customers to access the Internet. Currently, this access is provided by companies having significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Some of these providers have the ability to take measures including legal actions, that could degrade, disrupt or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support our offerings, charging increased fees to our users to provide our offerings, or regulating online speech. In some jurisdictions, such as China, our products and services may be subject to government-initiated restrictions, fees or blockages. Such interference could result in a loss of existing users, advertisers and goodwill, could result in increased costs and could impair our ability to attract new users, thereby harming our revenue and growth. Moreover, the adoption of any laws or regulations adversely affecting the growth, popularity or use of the Internet, including laws impacting Internet neutrality, could decrease the demand for our products and increase our operating costs. The legislative and regulatory landscape regarding the regulation of the Internet and, in particular, Internet neutrality, in the U.S. is subject to uncertainty.

To the extent any laws, regulations or rulings permit Internet service providers to charge some users higher rates than others for the delivery of their content, Internet service providers could attempt to use such law, regulation or ruling to impose higher fees or deliver our content with less speed, reliability or otherwise on a non-neutral basis as compared to other market participants, and our business could be adversely impacted. Internationally, government regulation concerning the Internet, and in particular, network neutrality, may be developing or non-existent. Within such a regulatory environment, we could experience discriminatory or anti-competitive practices impeding both our and our customers' domestic and international growth, increasing our costs or adversely affecting our business. Additional changes in the legislative and regulatory landscape regarding Internet neutrality, or otherwise regarding the regulation of the Internet, could harm our business, operating results and financial condition.

We are involved in numerous lawsuits, including putative, and at least one certified, class action lawsuits, that are expensive and time consuming and could adversely affect our business, financial condition and results of operations.

In addition to intellectual property claims, we are also involved in other types of litigation and claims, including claims relating to commercial disputes, consumer protection and employment, such as harassment. For example, we have faced or continue to face claims related to the Fair Labor Standards Act, the Telephone Consumer Protection Act, the Americans with Disabilities Act and the Arizona Consumer Fraud Act (and similar federal, state and international consumer protection statutes, including the Brazil Consumer Protection Code). In particular, we recently settled three class action complaints alleging violations of the Telephone Consumer Protection Act. Plaintiffs in such current and future litigation matters often file such lawsuits on behalf of a putative or certified class and typically claim substantial statutory damages and attorneys' fees, and often seek changes to our products, features or business practices. As a result, although the results of any such current or future litigation, regardless of the underlying nature of the claims, cannot be predicted with certainty, the final outcome of any current or future claims or lawsuits we face could adversely affect our business, financial condition and results of operations. Any negative outcome from claims or litigation, including settlements, could result in payments of substantial monetary damages or fines, attorneys' fees or costly and significant and undesirable changes to our products, features, marketing efforts or business practices. As we expand our international operations, we have experienced an increase in litigation occurring outside of the United States, due in part to consumer-friendly laws and regulations in certain countries and legal systems with limited experience with claims related to the domain industry. Defending such litigation is costly and time consuming. The final outcome of such litigation may not be the same as similar litigation in the U.S., which may have an adverse effect on our business, financial condition and results of operations. Further, claims or litigation brought against our customers or business partners may subject us to indemnification obligations or obligations to refund fees to, and adversely affect our relationships with, our customers or business partners. Such indemnification or refund obligations or litigation judgments or settlements that result in the payment of substantial monetary damages, fines and attorneys' fees may not be sufficiently covered by our insurance policies if at all.

In addition, during the course of any litigation, regardless of its nature, there could be public announcements of the results of hearings, motions, preliminary rulings or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the trading price of our Class A common stock. Regardless of whether any claims against us have any merit, these claims are time-consuming and costly to evaluate and defend, and can impose a significant burden on management and employees. Further, because of the substantial amount of discovery required in connection with litigation, there is a risk that some of our confidential business or other proprietary information could be compromised by disclosure.

Failure to adequately protect and enforce our intellectual property rights could substantially harm our business and operating results.

The success of our business depends in part on our ability to protect and enforce our patents, trademarks, copyrights, trade secrets and other intellectual property rights. We attempt to protect our intellectual property under patent, trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection.

As of December 31, 2020, we had 314 issued patents in the U.S. covering various aspects of our product offerings. Additionally, as of December 31, 2020, we had 102 pending U.S. patent applications and intend to file additional patent applications in the future. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may choose not to seek patent protection for certain innovations or not to pursue patent protection in certain jurisdictions, and may choose to abandon patents that are no longer of strategic value to us, in each case even if those innovations have financial value to us. In addition, under the laws of certain jurisdictions, patents or others intellectual property may be unavailable or limited in scope. Furthermore, it is possible that our patent applications may not issue as granted patents, that the scope of our issued patents will be insufficient or not have the coverage originally sought, that our issued patents will not provide us with any competitive advantages, and that our patents and other intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. In addition, issuance of a patent does not assure that we have an absolute right to practice the patented invention, or that we have the right to exclude others from practicing the claimed invention. As a result, we may not be able to obtain adequate patent protection or to enforce our issued patents effectively.

In addition to patented technology, we rely on our unpatented proprietary technology and confidential proprietary information, including trade secrets and know-how. Despite our efforts to protect the proprietary and confidential nature of such technology and information, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. The contractual provisions in confidentiality agreements and other agreements we generally enter into with employees, consultants, partners, vendors and customers may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, products and intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the U.S. and where mechanisms for enforcement of intellectual property rights may be weak. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. We may be unable to determine the extent of any unauthorized use or infringement of our products, technologies or intellectual property rights.

As of December 31, 2020, we had 661 registered trademarks in 58 countries; we have filed a trademark application for the new GoDaddy logo and mark and a word mark application for Open We Stand. We have also registered, or applied to register, the trademarks associated with several of our leading brands in the U.S. and in certain other countries, including for our new logo launched in January 2020, the "Go." Competitors and others may have adopted, and in the future may adopt, tag lines or service or product names similar to ours, which could impede our ability to build our brands' identities and possibly lead to confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered and common law trademarks or trademarks incorporating variations of the terms or designs of one or more of our trademarks and opposition filings made when we apply to register our trademarks.

From time to time, legal action by us may be necessary to enforce our patents, trademarks and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition. If we are unable to protect our intellectual property rights, we may find ourselves at a competitive disadvantage. Any inability on our part to protect adequately our intellectual property may have a material adverse effect on our business, operating results and financial condition.

We are involved in intellectual property claims and litigation asserted by third parties, and may be subject to additional claims and litigation in the future, which could result in significant costs and substantially harm our business and results of operations.

In recent years, there has been significant litigation in the U.S. and abroad involving patents and other intellectual property rights. Companies providing web-based and cloud-based products are increasingly bringing, and becoming subject to, suits alleging infringement of proprietary rights, particularly patent rights. The possibility of intellectual property infringement claims also may increase to the extent we face increasing competition and become increasingly visible. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. In addition, our exposure to risks associated with the use of intellectual property may increase as a result of acquisitions we make or our use of software licensed from or hosted by third parties, as we have less visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks. Third parties may make infringement and similar or related claims after we have acquired or licensed technology that had not been asserted prior to our acquisition or license. Many companies are devoting significant resources to obtaining patents that could affect many aspects of our business. This may prevent us from deterring patent infringement claims, and our competitors and others may now and in the future have larger and more mature patent portfolios than we have.

We have faced in the past, are currently facing, and expect to face in the future, claims and litigation by third parties that we infringe upon or misappropriate their intellectual property rights. Defending patent and other intellectual property claims and litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease offering certain of our products or features. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease offering certain of our products or features or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or discontinue offering certain products or features. The development of alternative non-infringing technology, products or features could require significant effort and expense or may not be feasible. Our business, financial condition and results of operations could be adversely affected by intellectual property claims or litigation.

We may face liability or become involved in disputes over registration and transfer of domain names and control over websites.

As a provider of web-based and cloud-based products, including as a registrar of domain names and related products, we may become aware of disputes over ownership or control of customer accounts, websites or domain names. We could face potential liability for our failure to renew a customer's domain. We could also face potential liability for our role in the wrongful transfer of control or ownership of accounts, websites or domain names. The safeguards and procedures we have adopted may not be successful in insulating us against liability from such claims in the future. Moreover, any future amendment to Section 230 of the CDA may increase our liability and could expose us to civil or criminal liability for the actions of our customers, if we do not effectively detect and mitigate these risks. In addition, we may face potential liability for other forms of account, website or domain name hijacking, including misappropriation by third parties of our customer accounts, websites or domain names and attempts by third parties to operate accounts, websites or domain names or to extort the customer whose accounts, websites or domain names were misappropriated. Furthermore, we are exposed to potential liability as a result of our domain privacy product, wherein the identity and contact details for the domain name registrant are masked. Although our terms of service reserve our right to take certain steps when domain name disputes arise related to our privacy product, including the removal of our privacy service, the safeguards we have in place may not be sufficient to avoid liability, which could increase our costs of doing business.

Occasionally one of our customers may register a domain name identical, or similar, to a third party's trademark or the name of a living person. These occurrences have in the past and may in the future lead to our involvement in disputes over such domain names. Disputes involving registration or control of domain names are often resolved through the Uniform Domain Name Dispute Resolution Policy (the UDRP), ICANN's administrative process for domain name dispute resolution, or less frequently through litigation under the ACPA, or under general theories of trademark infringement or dilution. The UDRP generally does not impose liability on registrars, and the ACPA provides that registrars may not be held liable for registration or maintenance of a domain name absent a showing of the registrar's bad faith intent to profit from the trademark at issue. However, we may face liability if we act in bad faith or fail to comply in a timely manner with procedural requirements under these rules, including forfeiture of domain names in connection with UDRP actions. In addition, domain name registration disputes and compliance with the procedures under the ACPA and UDRP typically require at least limited involvement by us and, therefore, increase our cost of doing business. The volume of domain name registration disputes may increase in the future as the overall number of registered domain names increases. Moreover, as the owner or acquiror of domain name portfolios containing domains we provide for resale, we may face liability if one or more domain names in our portfolios, or our resellers' portfolios, are alleged to violate another party's trademark. While we screen the domains we acquire to mitigate the risk of third-party infringement claims, we, or our resellers, may inadvertently register or acquire domains that infringe or allegedly infringe third-party rights. If intellectual property laws diverge internationally or are interpreted inconsistently by local courts, we may be required to devote additional time and resources to enhancing our screening program in international markets. For example, we are involved in a large number of claims in India involving the registration of domain names that include trademarked strings of text. While these claims are individually and collectively immaterial, they may require additional time and resources to resolve, and as we expand internationally, we face additional intellectual property claims. Moreover, advertisements displayed on websites associated with domains registered by us may contain allegedly infringing content placed by third parties. We may face liability and increased costs as a result of such third-party infringement claims.

Our use of open source technology could impose limitations on our ability to commercialize our products.

We use open source software in our business, including in our products. It is possible some open source software is governed by licenses containing requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in certain manners.

Although we monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend, we cannot be certain all open source software is reviewed prior to use in our proprietary software, that programmers working for us have not incorporated open source software into our proprietary software, or that they will not do so in the future. Any requirement to disclose our proprietary source code or to make it available under an open source license could be harmful to our business, operating results and financial condition. Furthermore, the terms of many open source licenses have not been interpreted by U.S. courts. As a result, there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such an event, we could be required to seek licenses from third parties to continue offering our products, to make our proprietary code generally available in source code form, to re-engineer our products or to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

Data localization requirements in certain jurisdictions in which we operate may increase data center operating costs.

In some jurisdictions in which we operate, such as India and China, laws and regulations may require us to locally host at least an instance of the data collected in that jurisdiction and in some cases may apply restrictions to the export or transfer of that data across borders. Such data localization laws and regulations may increase our overall data center operating costs by requiring duplicative local facilities, network infrastructure and personnel, and by potentially increasing the resources required to process governmental requests for access to that data. This may also increase our exposure to government requests for censorship and data breaches in general. We continue to explore strategies to limit such risks related to data collected in those jurisdictions, but cannot guarantee that our efforts will be successful.

Our business could be affected by new governmental regulations regarding the Internet.

To date, government regulations have not materially restricted use of the Internet in most parts of the world. However, the legal and regulatory environment relating to the Internet is uncertain, and governments may impose regulation in the future. New laws may be passed, courts may issue decisions affecting the Internet, existing but previously inapplicable or unenforced laws may be deemed to apply to the Internet or regulatory agencies may begin to more rigorously enforce such formerly unenforced laws, or existing legal safe harbors may be narrowed, both by U.S. federal or state governments and by governments of foreign jurisdictions. The adoption of any new laws or regulations, or the narrowing of any safe harbors, could hinder growth in the use of the Internet and online services generally, and decrease acceptance of the Internet and online services as a means of communications, e-commerce and advertising. In addition, such changes in laws could increase our costs of doing business or prevent us from delivering our services over the Internet or in specific jurisdictions, which could harm our business and our results of operations.

We are subject to export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). If we fail to comply with these laws and regulations, we could be subject to civil or criminal penalties and reputational harm. U.S. export control laws and economic sanctions laws also prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

We employ country-specific IP blocks, screening and other measures designed to prevent users in sanctioned jurisdictions and persons on OFAC and other sanctions lists (denied parties) from purchasing or accessing our products or services. When we screen customers against such sanctions lists, we rely on the data provided to us by our customers; if customers do not provide complete or accurate data, our screening process may fail to identify customers who are denied parties.

As such, there is risk that in the future we could provide our products to denied parties despite such precautions. Changes in the list of sanctioned jurisdictions and OFAC and other sanctions lists may require us to modify these measures in order to comply with governmental regulations. Our failure to screen customers properly could result in negative consequences to us, including government investigations, penalties and reputational harm.

Any change in export or import regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products or decreased ability to sell our products to existing or potential customers. Any decreased use of our products or limitation on our ability to sell our products internationally could adversely affect our growth prospects.

If we are found to be in violation of the export controls laws and regulations or economic sanctions laws and regulations, penalties may be imposed against us and our employees, including loss of export privileges and monetary penalties, which could have a material adverse effect on our business. We could also be materially and adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise if we are found to have violated these laws and regulations.

Due to the global nature of our business, we could be adversely affected by violations of anti-bribery and anti-corruption laws.

We face significant risks if we fail to comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended (the FCPA), the U.K. Bribery Act 2010 (the U.K. Bribery Act), the U.S. Travel Act of 1961 and other anti-corruption and anti-bribery laws prohibiting companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties and private-sector recipients for an illegal purpose.

We operate in areas of the world in which corruption by government officials exists to some degree and, in certain circumstances, compliance with anti-bribery and anti-corruption laws may conflict with local customs and practices. We operate in several countries and sell our products to customers around the world, which results in varied and potentially conflicting compliance obligations. In addition, changes in laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. While we are committed to complying, and training our employees to comply, with all applicable anti-bribery and anti-corruption laws, we cannot assure our employees or other agents will not engage in prohibited conduct and render us responsible under the FCPA or the U.K. Bribery Act.

If we are found to be in violation of the FCPA, the U.K. Bribery Act or other anti-bribery and anti-corruption laws (either due to acts or inadvertence of our employees, or due to the acts or inadvertence of others), we could suffer criminal or civil penalties or other sanctions, which could have a material adverse effect on our business. Any violation of the FCPA or other applicable anti-corruption or anti-bribery laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have a material and adverse effect on our reputation, business, operating results and growth prospects. In addition, responding to any enforcement action may result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

Changes in taxation laws and regulations may discourage the registration or renewal of domain names for e-commerce.

Due to the global nature of the Internet, it is possible that any U.S. or foreign federal, state or local taxing authority might attempt to regulate our transmissions or levy transaction, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are regularly reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations may subject either us or our customers to additional sales, income and other taxes. In particular, after the U.S. Supreme Court's ruling in *South Dakota v. Wayfair*, U.S. states may require an online retailer with no in-state property or personnel to collect and remit sales tax on sales to such states' residents. We cannot predict the effect of current attempts to impose sales, income or other taxes on e-commerce. New or revised taxes, in particular sales and other transaction taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and to collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

Risks Related to Owning our Class A Common Stock

Our business could be negatively impacted as a result of shareholder activism.

In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction and operations of companies. Shareholder activists have become increasingly concerned with companies' efforts with respect to environmental, sustainability and governance standards. Shareholder activists may be more aggressive during economic downturns, including of the current global economic slowdown resulting from COVID-19. We may in the future become subject to such shareholder activism and demands. Such demands may disrupt our business and divert the attention of management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by our competitors, cause concern to our current or potential customers and make it more difficult to attract and retain qualified personnel and business partners, all of which could negatively impact our business. Shareholder activism could result in substantial costs. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals of our business.

Some provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws may deter third parties from acquiring us and diminish the value of our Class A common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws provide for, among other things:

- a classified board of directors with staggered three-year terms;
- the ability of our board of directors to issue one or more series of preferred stock with voting or other rights or preferences that could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change in control;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at stockholder meetings;
- certain limitations on convening special stockholder meetings; and
- amendment of certain provisions only by the affirmative vote of the holders of at least two-thirds in voting power of all outstanding shares of our stock entitled to vote thereon, voting together as a single class.

Further, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. Our amended and restated bylaws provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action under the Securities Act of 1933, as amended, or the Securities Act.

In addition, while we have opted out of Section 203 of the Delaware General Corporation Law (the DGCL), our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain business combinations with any interested stockholder for a three year period following the time the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction resulting in the stockholder becoming an interested stockholder;
- upon consummation of the transaction resulting in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the votes of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least two-thirds of the votes of our outstanding voting stock not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of the votes of our outstanding voting stock. For purposes of this provision, voting stock means any class or series of stock entitled to vote generally in the election of directors.

Under certain circumstances, this provision will make it more difficult for a person who would be an interested stockholder to effect various business combinations with our company for a three-year period. This provision may encourage companies interested in acquiring us to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction resulting in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions stockholders may otherwise deem to be in their best interests.

These provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a transaction involving a change in control of our company that is in the best interest of our stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our Class A common stock if they are viewed as discouraging future takeover attempts. These provisions could also make it more difficult for stockholders to nominate directors for election to our board of directors and take other corporate actions.

Our share price may be volatile, and you may be unable to sell your shares.

The trading price of our Class A common stock is likely to be highly volatile and these fluctuations could cause you to lose all or part of your investment in our common stock. Since shares of our Class A common stock were sold in our IPO in April 2015 at a price of $20.00 per share, the reported high and low sales prices of our Class A common stock have ranged from $21.04 to $93.75 per share through February 12, 2021. Factors that may cause the market price of our Class A common stock to fluctuate include:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general, and of companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- changes in the expectations of investors or securities analysts;
- actual or anticipated developments in our competitors' businesses or the competitive landscape generally;
- actual or perceived privacy or data security incidents;
- litigation involving us, our industry or both;
- regulatory developments in the U.S., foreign countries or both;

- general economic conditions and trends;
- the commencement or termination of any share repurchase program;
- major catastrophic events, including those resulting from war, incidents of terrorism, outbreaks of pandemic diseases, such as COVID-19, or responses to these events;
- sales of large blocks of our stock; or
- departures of key personnel.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, for example, as a result of the COVID-19 pandemic, the trading price of our Class A common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our Class A common stock might also decline in reaction to events affecting other companies in our industry even if these events do not directly affect us.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business, and this could have a material adverse effect on our business, operating results and financial condition.

We do not intend to pay dividends on our Class A common stock.

We do not expect to pay dividends to the holders of our Class A common stock for the foreseeable future. Our ability to pay dividends on our Class A common stock is limited by our existing indebtedness, and may be further restricted by the terms of any future debt incurred or preferred securities issued by us or our subsidiaries or by law. Payments of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. As a result, any capital appreciation in the price of our Class A common stock may be your only source of gain on your investment in our Class A common stock.

If, however, we decide to pay a dividend in the future, we would need to cause Desert Newco to make distributions to GoDaddy Inc. in an amount sufficient to cover such dividend. Deterioration in the financial condition, earnings or cash flow of Desert Newco for any reason could limit or impair its ability to make distributions to us.

We cannot guarantee we will make any additional repurchases of our Class A common stock.

In the past our board of directors have approved the repurchase of shares of our Class A common stock, which we have fully utilized as of April 2020. In May 2020, our board of directors approved the repurchase of up to an additional $500.0 million of our Class A common stock. Under this or any other future share repurchase programs, we may make share repurchases through a variety of methods, including open share market purchases, block transactions or privately negotiated transactions, in accordance with applicable federal securities laws. Future share repurchase programs may have no time limit, may not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion and without prior notice. The timing and amount of any repurchases, if any, will be subject to liquidity, stock price, market and economic conditions, compliance with applicable legal requirements such as Delaware surplus and solvency tests and other relevant factors. Any failure to repurchase stock after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price.

The existence of these share repurchase programs could cause our stock price to be higher than it otherwise would and could potentially reduce the market liquidity for our stock. Although these programs are intended to enhance long-term stockholder value, there is no assurance they will do so because the market price of our Class A common stock may decline below the levels at which we repurchased shares of Class A common stock and short-term stock price fluctuations could reduce the effectiveness of the programs.

If securities analysts do not publish research or reports about our business, or if they downgrade our stock, the price of our stock could decline.

The trading market for our Class A common stock could be influenced by any research and reports securities or industry analysts publish about us or our business. In the event securities analysts cover our company and one or more of these analysts downgrade our stock or publish unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Generic Risks

The COVID-19 pandemic has had a material adverse impact on many of our customers and could harm our business and operating results.

In the first quarter of 2020, we cancelled all non-essential travel and closed our offices to comply with local "shelter-in-place" orders and moved substantially all of our personnel to work remotely. We expect that our personnel will continue to work remotely through the second quarter of 2021, subject to local conditions and "shelter-in-place" orders. Although we continue to monitor the situation and may adjust our current policies, these changes to how our personnel work have negatively affected, and may continue to negatively affect, their productivity and efficiency.

In addition, the COVID-19 pandemic has disrupted, and may continue to disrupt, the operations of our customers as a result of business shutdowns, decreased demand from their customers, travel restrictions, loss of employment and uncertainty in the financial markets, all of which have negatively impacted, and could continue to negatively impact, our business and operating results by reducing customer spending on our products and services, in particular for our higher-priced, do-it-for-you services. For example, in June 2020 we restructured our U.S. outbound sales and operations as a result of soft customer demand for higher-priced, do-it-for-you services such as GoDaddy Social, and reduced effectiveness of our U.S. outbound calling process. As global economic conditions recover from the COVID-19 pandemic, business activity may not recover as quickly as anticipated. Conditions will be subject to the effectiveness of government policies, vaccine administration rates and other factors that may not be foreseeable.

The COVID-19 pandemic has also increased our vulnerability to consumer privacy, data security and fraud risks as a result of our personnel working remotely, which may require us to invest in risk mitigation efforts that may not be successful. It is not possible at this time to estimate the full impact of COVID-19 on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted.

Economic conditions in the U.S. and international economies may adversely impact our business and operating results.

General macro-economic conditions, such as a recession or economic slowdown in the U.S. or internationally, including as a result of the COVID-19 pandemic, could adversely affect demand for our products and make it difficult to accurately forecast and plan our future business activities. Spending patterns of small businesses and independent ventures, which make up a substantial portion of our customer base, are difficult to predict and are sensitive to the general economic climate, the economic outlook specific to small businesses and ventures, the then-current level of profitability experienced by these groups and overall consumer confidence. As a result of the current global economic slowdown, our customers may not be able to afford to renew existing products or buy additional products, or they may turn to lower-cost offerings from our competitors. Our higher-priced services and aftermarket offerings have been, and may continue to be, negatively impacted by COVID-19 as customers become more price-conscious. In addition, our customers may be affected by changes in trade policies, treaties, government regulations and tariffs. Trade protection measures, retaliatory actions, tariffs and increased barriers, policies favoring domestic industries, or increased import or export licensing requirements or restrictions could have a negative effect on the overall macro economy and our customers, which could have an adverse impact on our operating results.

To the extent conditions in the domestic and global economy change, our business could be harmed as current and potential customers may reduce or postpone spending or choose not to purchase or renew subscriptions to our products which they may consider discretionary. For example, it is possible that business activity in the U.K. or the E.U. will be negatively affected by Brexit. If our customers face decreased consumer demand, increased regulatory burdens or more limited access to international markets, we may face a decline in the demand for our products and our operating results could be adversely impacted.

Uncertain and adverse economic conditions may also lead to a decline in the ability of our customers to use or access credit, including through credit cards, as well as increased refunds and chargebacks, any of which could adversely affect our business. In addition, changing economic conditions may also adversely affect third parties with which we have entered into relationships and upon which we depend in order to grow our business. As a result, we may be unable to continue to grow in the event of future economic slowdowns.

Our business could be negatively impacted by changes in the U.S. political environment.

There is significant ongoing uncertainty with respect to potential legislation, regulation and government policy at the federal, state and local levels in the United States. Such uncertainty and any material changes in such legislation, regulation and government policy could significantly impact our business as well as the markets in which we compete. Specific legislative and regulatory proposals that might materially impact us include, but are not limited to, changes to liability rules for internet platforms, data privacy regulations, import and export regulations, income tax regulations and the U.S. federal tax code and public company reporting requirements, immigration policies and enforcement, healthcare law, minimum wage laws, climate and energy policies, foreign trade and relations with foreign governments, pandemic response and increased antitrust scrutiny in the tech industry. To the extent changes in the political environment have a negative impact on us or on our customers, our markets, our business, results of operation and financial condition could be materially and adversely impacted in the future.

The requirements of being a public company may strain our resources.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and the listing standards of the New York Stock Exchange (the NYSE). We expect the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources. Management's attention may be diverted from other business concerns, which could adversely affect our business and operating results.

The Sarbanes-Oxley Act requires us, among other things, to maintain effective disclosure controls and procedures and internal control over financial reporting. In 2019, we determined that our accounting related to certain performance-based awards (PSUs) was incorrect and management concluded this error represented a significant deficiency in our internal controls, which we remediated by the end of 2019. We have added steps to ensure future changes to equity plans are assessed and continue to develop and refine our disclosure controls and other procedures designed to ensure that information required to be disclosed by us in the reports we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We also continue to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate we will continue to expend, significant resources, including legal and accounting-related costs and significant management oversight.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

In our management's report for 2020, we determined our internal control over financial reporting is effective. In addition, our independent registered public accounting firm provided an unqualified attestation report to that effect. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determines in the future that our internal control over financial reporting is not effective as defined under Section 404 of the Sarbanes-Oxley Act, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments, thereby causing investor perceptions to be adversely affected and potentially resulting in restatement of our financial statements for prior periods and a decline in the market price of our stock.

In addition, our current internal controls and any new controls we implement may become inadequate because of changes in conditions in our business or information technology systems or changes in the applicable laws, regulations and standards. We have also recently acquired, and may acquire in future, companies that were not previously subject to the Sarbanes-Oxley regulations and accordingly were not required to establish and maintain an internal control infrastructure meeting the standards promulgated under the Sarbanes-Oxley Act. Any failure to design or operate effective controls, any difficulties encountered in their implementation or improvement, or any failure to implement adequate internal controls for our acquired companies could harm our operating results or cause us to fail to meet our reporting obligations. Not correctly designing controls nor fully recognizing, understanding or testing the state of or changes in our internal control environment could also adversely affect the results of management evaluations and independent registered public accounting firm audits of our internal control over financial reporting, about which we are required to include in our periodic reports filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE in the future.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events and to interruption by man-made events such as terrorism and civil unrest.

A significant natural disaster, such as an earthquake, fire or flood could have a material adverse impact on our business, operating results and financial condition. Natural disasters could lead to significant power outages and otherwise affect our data centers as well as our infrastructure vendors' abilities to provide connectivity and perform services on a timely basis. In the event our or our service providers' IT systems' abilities are hindered by any of the events discussed above, we and our customers' websites could experience downtime, and our products could become unavailable. In addition, acts of terrorism, civil unrest, pandemics such as COVID-19 and other geopolitical unrest could cause disruptions in our business or the business of our infrastructure vendors, partners or customers or the economy as a whole. Any disruption in the business or operations of our data center hosting providers or customers could have a significant adverse effect on our operating results and financial performance. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be ineffective in the event of such a disaster.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

Our corporate headquarters are located in Scottsdale, Arizona and consist of approximately 153,000 square feet of owned office space. We also own our offices in Hiawatha, Iowa, which consist of approximately 75,000 square feet used primarily for customer care and product development. We lease additional customer care centers and offices located throughout the U.S. as well as internationally, most significantly in Bulgaria, Germany, Romania, Serbia and the U.K.

We provide our cloud-based products via a network of data centers including (i) an approximately 320,000 square foot data center we own and operate in Phoenix, Arizona; (ii) co-located data centers located throughout the U.S., most significantly in California and Virginia; and (iii) co-located international data centers, most significantly in France, the Netherlands and Singapore. Our data center leases expire on various dates through 2033.

We believe our existing facilities are sufficient for our current needs. In the future, we may need to add new facilities and expand our existing facilities as we increase our employee base, grow our infrastructure, further expand our international operations and evolve our business. We believe suitable additional or substitute space will be available on commercially reasonable terms to meet our future needs.

Item 3. Legal Proceedings

The information required by this item is provided in Note 12 to our financial statements and is incorporated herein by reference.

We are currently subject to litigation incidental to our business, including patent infringement litigation and trademark infringement claims, as well as putative class actions, employment, commercial and consumer protection claims and other litigation of a non-material nature. Although the results of any such current or future litigation, regardless of the underlying nature of the claims, cannot be predicted with certainty, the final outcome of any current or future claims or lawsuits we face could adversely affect our business, financial condition and results of operations.

Regardless of the final outcome, defending lawsuits, claims and proceedings in which we are involved is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

Item 4. Mine Safety Disclosures

Not applicable.

Part II.

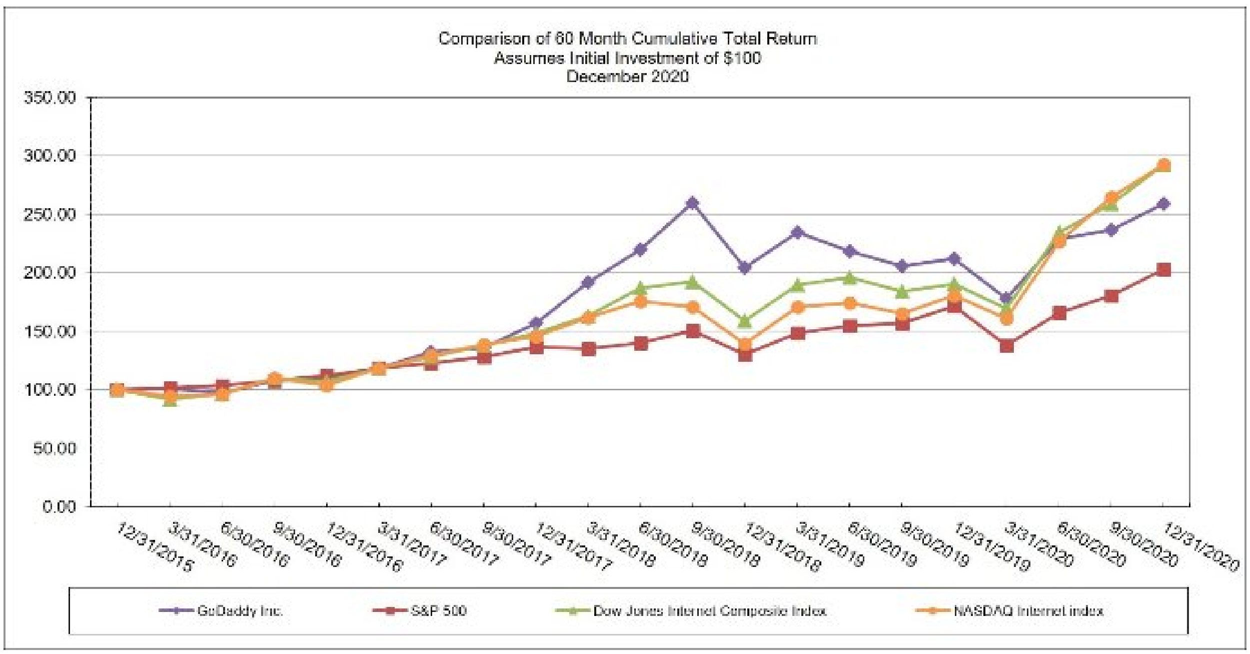
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock trades on the NYSE under the symbol "GDDY".

Stock Performance Graph

The following performance graph and related information shall not be deemed to be "soliciting material" or "filed" for purposes of Section 18 of the Exchange Act nor shall such information be incorporated by reference into any filing of GoDaddy Inc. under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference in such filing.

The following graph compares, for the five year period ending December 31, 2020, the cumulative total return to stockholders on our Class A common stock relative to the cumulative total returns of the Standard & Poor's 500 Index (the S&P 500), the Dow Jones Internet Composite Index and the NASDAQ Internet Index. In 2020, we began granting certain performance equity awards with vesting based on a relative total shareholder return calculation. Accordingly, we changed our peer index to the NASDAQ Internet Index to align with the index used for such grants and have included both the current and prior indices in the graph below. We plan to include only the NASDAQ Internet Index going forward. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index. The returns shown are based on historical results and are not intended to suggest future performance. See the disclosures in Part I, Item 1A. "Risk Factors."



Holders of Record

As of December 31, 2020, there were 7 holders of record of our Class A common stock, although we believe there are a significantly larger number of beneficial owners because many shares are held by brokers and other institutions on behalf of stockholders.

Dividend Policy

We have not paid any dividends on our Class A common stock and do not intend to pay dividends in the foreseeable future. If, however, we decide to pay a dividend in the future, we would need to cause Desert Newco to make distributions to us in an amount sufficient to cover such dividend. If Desert Newco makes such distributions to us, the other holders of LLC Units will be entitled to receive pro rata distributions.

Our ability to pay dividends is limited by the covenants of our long-term debt agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." In addition, Desert Newco is generally prohibited under Delaware law from making a distribution to unit holders (including us) to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Desert Newco (with certain exceptions) exceed the fair value of its assets. Desert Newco's subsidiaries are generally subject to similar legal limitations on their ability to make distributions to Desert Newco.

Share Repurchases

Our board of directors has authorized the share repurchase programs described in Note 5 to our audited financial statements. There were no share repurchases during the three months ended December 31, 2020.

Item 6. Selected Financial Data

This item is no longer required as we have elected to early adopt the changes to Item 301 of Regulation S-K contained in SEC Release No. 33-10890.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes included in "Financial Statements and Supplementary Data." Some of the information contained in this discussion and analysis, including information with respect to our plans and strategies for our business, includes forward-looking statements involving significant risks and uncertainties. As a result of many factors, such as those set forth in "Risk Factors," actual results may differ materially from the results described in, or implied by, these forward-looking statements.

This section generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussion of 2018 items and comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for the year ended December 31, 2019, and are incorporated by reference herein and considered part of this Form 10-K only to the extent referenced.

(Throughout this discussion and analysis, dollars are in millions, excluding ARPU, and shares are in thousands.)

COVID-19 Pandemic

As discussed in "Our Response to the COVID-19 Pandemic," we have implemented a variety of measures to attempt to minimize its impact on our business, including a restructuring announced in June 2020 to address the sustainability of our U.S. outbound sales and operations, which is further described in Note 13 to our financial statements. While the pandemic did not have a material impact on our 2020 results, the extent to which it may impact our future financial results and operations will depend on future developments. Such developments, which are highly uncertain and cannot be predicted, may include the emergence of new information concerning the severity of the outbreak and the domestic and international actions being taken to contain and treat it. Due to the speed with which the situation continues to evolve, we are currently unable to fully determine the extent of its impact on our business, but the impact could be material to any future period affected either directly or indirectly by this pandemic. We are actively monitoring the pandemic and the potential impacts it may have on our financial position, results of operations and cash flows in the future. See "Risk Factors" for additional information on the risks we may face associated with COVID-19.

Overview

We are the global market leader in domain registration. As of December 31, 2020, approximately 88% of our customers had purchased a domain from us and we had 82.7 million domains under management. Based on information reported in VeriSign's Domain Name Industry Brief, we had over 22% of the world's domains registered as of September 30, 2020.

We also offer hosting, presence and business applications products and services (products) enhancing our value proposition by enabling our customers to create, manage and syndicate their, or their customers', digital identities. These products are often purchased in conjunction with, or subsequent to, an initial domain registration. As we have grown, these products have become increasingly important parts of our business, constituting approximately 54% of total revenue in 2020.

Financial Highlights

Below are key financial highlights for 2020, with comparisons to 2019.

- Total revenue of $3,316.7 million, an increase of 11.0%, or approximately 11.4% on a constant currency basis[1].
- International revenue of $1,105.4 million, an increase of 9.6%, or approximately 10.9% on a constant currency basis[1].
- Total bookings[2] of $3,775.5 million, an increase of 11.0%, or approximately 11.6% on a constant currency basis[1].
- Net loss of $494.1 million, which includes a $674.7 million charge incurred in connection with the settlement of our obligations under the TRAs, as discussed in Note 16 to our financial statements.
- Net cash provided by operating activities of $764.6 million, an increase of 5.7%.

[1] *Discussion of constant currency is set forth in "Quantitative and Qualitative Disclosures about Market Risk."*
[2] *A reconciliation of total bookings to total revenue, its most directly comparable GAAP financial measure, is set forth in "Reconciliation of Bookings"* below.

Our Financial Model

We have developed a stable and predictable business model driven by efficient customer acquisition, high customer retention rates and increasing lifetime spend. We grew our total customers from 17.3 million as of December 31, 2017 to 20.6 million as of December 31, 2020, through a combination of our industry leading products built on a single cloud platform, brand advertising, direct marketing efforts, customer referrals, world-class customer care and acquisitions. In each of the five years ended December 31, 2020, our customer retention rate exceeded 85%, and in 2020, our retention rate for customers who had been with us for over three years was more than 93%. We believe the breadth and depth of our product offerings and the high quality and responsiveness of our customer care team build strong relationships with our customers and are key to our high level of customer retention.

We generate bookings and revenue from sales of product subscriptions, including domain products, hosting and presence products and business applications products. We offer our subscriptions on a variety of terms, which average approximately one year, but can range from monthly to multi-annual terms of up to ten years depending on the product. We monitor total bookings as we typically collect payment at the time of sale and recognize revenue ratably over the term of our customer contracts. Accordingly, we believe total bookings is an indicator of the expected growth in our revenue and is a supplemental measure of the operating performance of our business. See "Reconciliation of Bookings" below for a reconciliation of total bookings to total revenue.

Domains. We generated 46% of our 2020 total revenue from the sale of domain products, primarily from domain registrations and renewals, aftermarket domain sales and domain add-ons such as domain protection. Total revenue from domain products grew at a CAGR of 12.7% over the three years ended December 31, 2020.

Hosting and Presence. We generated 36% of our 2020 total revenue from the sale of hosting and presence products, primarily from a variety of website hosting products, website security products and website building products, which generally have higher margins than conventional domain registrations. Total revenue from hosting and presence products grew at a CAGR of 12.3% over the three years ended December 31, 2020.

Business Applications. We generated 18% of our 2020 total revenue from the sale of business applications products, primarily from third-party productivity applications, which generally also have higher margins than conventional domain registrations. Total revenue from business applications products grew at a CAGR of 22.5% over the three years ended December 31, 2020.

Revenue derived from each of our product categories has increased in each of the last three years, with many of our non-domains products growing faster in recent periods.

In each of the five years ended December 31, 2020, greater than 85% of our total revenue, excluding the impact of purchase accounting, was generated by customers who were also customers in the prior year. To track our growth and the stability of our customer base, we monitor, among other things, revenue, retention rates and average revenue per user (ARPU) generated by our annual customer cohorts over time, as well as corresponding marketing and advertising spend. We define an annual customer cohort to include each customer who first became a customer during a calendar year. For example, in 2014, we acquired 2.9 million gross customers, who we collectively refer to as our 2014 cohort, and spent $165 million in marketing and advertising expenses. By the end of 2020, the 2014 cohort had generated an aggregate of $1,472 million of total bookings and we expect this cohort will continue to generate bookings and revenue in the future. For the five years ended December 31, 2020, the average annual bookings retention rate of the 2014 cohort was approximately 94%. To calculate a cohort's bookings retention rate, we compare the number of active customers within a specific cohort as of the end of the current year to the number of customers that were in the cohort in the year of acquisition. Over this period, ARPU, excluding the impact of purchase accounting, for the 2014 cohort grew from $79 in 2015 to $181 in 2020, representing a CAGR of 18%. We selected the 2014 cohort for this analysis because we believe it is representative of the spending patterns and revenue impact of our other cohorts. We believe our cohort analysis is important to illustrate the long-term value of our customers.

Results of Operations

The following table sets forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,					
	2020		2019		2018	
	$	% of Total Revenue	$	% of Total Revenue	$	% of Total Revenue
Revenue:						
Domains	$ 1,515.1	45.7 %	$ 1,351.6	45.2 %	$ 1,220.3	45.9 %
Hosting and presence	1,200.6	36.2 %	1,126.5	37.7 %	1,017.6	38.2 %
Business applications	601.0	18.1 %	510.0	17.1 %	422.2	15.9 %
Total revenue	3,316.7	100.0 %	2,988.1	100.0 %	2,660.1	100.0 %
Costs and operating expenses:						
Cost of revenue (excluding depreciation and amortization)	1,158.6	34.9 %	1,026.8	34.3 %	893.9	33.6 %
Technology and development	560.4	16.9 %	492.6	16.5 %	434.0	16.3 %
Marketing and advertising	438.5	13.2 %	345.6	11.6 %	291.4	11.0 %
Customer care	316.9	9.6 %	348.7	11.7 %	323.1	12.1 %
General and administrative	323.8	9.8 %	362.1	12.1 %	334.0	12.6 %
Restructuring charges	43.6	1.3 %	—	— %	—	— %
Depreciation and amortization	202.7	6.1 %	209.7	7.0 %	234.1	8.8 %
Total costs and operating expenses	3,044.5	91.8 %	2,785.5	93.2 %	2,510.5	94.4 %
Operating income	272.2	8.2 %	202.6	6.8 %	149.6	5.6 %
Interest expense	(91.3)	(2.8) %	(92.1)	(3.1) %	(98.4)	(3.7) %
Loss on debt extinguishment	—	— %	(14.8)	(0.5) %	—	— %
Tax receivable agreements liability adjustment	(674.7)	(20.3) %	8.7	0.3 %	14.9	0.6 %
Other income (expense), net	(1.6)	— %	22.0	0.7 %	6.9	0.3 %
Income (loss) before income taxes	(495.4)	(14.9) %	126.4	4.2 %	73.0	2.8 %
Benefit for income taxes	1.3	— %	12.0	0.4 %	9.0	0.3 %
Net income (loss)	(494.1)	(14.9) %	138.4	4.6 %	82.0	3.1 %
Less: net income attributable to non-controlling interests	1.0	— %	1.4	— %	4.9	0.2 %
Net income (loss) attributable to GoDaddy Inc.	$ (495.1)	(14.9) %	$ 137.0	4.6 %	$ 77.1	2.9 %

Operating Metrics

In addition to our results determined in accordance with GAAP, we believe the following operating metrics are useful as supplements in evaluating our ongoing operational performance and help provide an enhanced understanding of our business:

	Year Ended December 31,		
	2020	2019	2018
Total bookings	$ 3,775.5	$ 3,401.2	$ 3,011.5
Total customers at period end (in thousands)	20,646	19,274	18,518
Average revenue per user	$ 166	$ 158	$ 148

Total bookings. Total bookings represents cash receipts from the sale of products to customers in a given period adjusted for products where we recognize revenue on a net basis and without giving effect to certain adjustments, primarily net refunds granted in the period. Total bookings provides valuable insight into the sales of our products and the performance of our business since we typically collect payment at the time of sale and recognize revenue ratably over the term of our customer contracts. We report total bookings without giving effect to refunds granted in the period because refunds often occur in periods different from the period of sale for reasons unrelated to the marketing efforts leading to the initial sale. Accordingly, by excluding net refunds, we believe total bookings reflects the effectiveness of our sales efforts in a given period.

Total customers. We define a customer as an individual or entity, as of the end of a period, having an account with one or more paid product subscriptions. A single user may be counted as a customer more than once if they maintain paid subscriptions in multiple accounts. Total customers is one way we measure the scale of our business and is an important part of our ability to increase our revenue base.

Average revenue per user. We calculate ARPU as total revenue during the preceding 12 month period divided by the average of the number of total customers at the beginning and end of the period. ARPU provides insight into our ability to sell additional products to customers, though the impact to date has been muted due to our continued growth in total customers.

Reconciliation of Bookings

The following table reconciles total bookings to total revenue, its most directly comparable GAAP financial measure:

	Year Ended December 31,		
	2020	**2019**	**2018**
Total revenue	$ 3,316.7	$ 2,988.1	$ 2,660.1
Change in deferred revenue[(1)]	210.5	180.5	163.2
Net refunds	247.3	233.4	192.6
Other	1.0	(0.8)	(4.4)
Total bookings	$ 3,775.5	$ 3,401.2	$ 3,011.5

(1) Change in deferred revenue also includes the impact of realized gains or losses from the hedging of bookings in foreign currencies.

Comparison of 2020 and 2019

Revenue

We generate substantially all of our revenue from sales of subscriptions, including domain registrations and renewals, hosting and presence products and business applications products. Our subscription terms average one year, but can range from monthly terms to multi-annual terms of up to ten years depending on the product. We generally collect the full amount of subscription fees at the time of sale, while revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term. Revenue is presented net of refunds, and we maintain a reserve to provide for refunds granted to customers.

Domains revenue primarily consists of revenue from the sale of domain registration subscriptions, aftermarket domain sales and domain add-ons such as domain protection. Domain registrations provide a customer with the exclusive use of a domain during the applicable contract term. After the contract term expires, unless renewed, the customer can no longer access the domain.

Hosting and presence revenue primarily consists of revenue from the sale of subscriptions for website hosting, website security and website building products.

Business applications revenue primarily consists of revenue from the sale of subscriptions for third-party productivity applications, email accounts, email marketing tools and telephony solutions.

The following table presents our revenue for the periods indicated:

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Domains	$ 1,515.1	$ 1,351.6	$ 1,220.3	$ 163.5	12 %	$ 131.3	11 %
Hosting and presence	1,200.6	1,126.5	1,017.6	74.1	7 %	108.9	11 %
Business applications	601.0	510.0	422.2	91.0	18 %	87.8	21 %
Total revenue	$ 3,316.7	$ 2,988.1	$ 2,660.1	$ 328.6	11 %	$ 328.0	12 %

The 11.0% increase in total revenue was driven by the 7.1% growth in total customers, the 5.1% growth in ARPU as well as incremental revenue from acquisitions completed in 2020. The increase in customers impacted each of our revenue lines, as the additional customers purchased subscriptions across our product portfolio. These increases were partially offset by the impact of adverse movements in foreign currency exchange rates.

Domains. The 12.1% increase in domains revenue was primarily driven by the increase in domains under management from 79.6 million as of December 31, 2019 to 82.7 million as of December 31, 2020, incremental revenue from acquisitions completed in 2020 and increased aftermarket domain sales and international growth. Domains under management in 2020 was impacted by: (i) approximately 0.8 million domains added from an acquisition and (ii) the expiration of approximately 1.0 million .uk domains for which we provided free initial registration to the owners of the associated third-level domains (e.g. .co.uk) following the 2017 launch of the .uk ccTLD.

Hosting and presence. The 6.6% increase in hosting and presence revenue was primarily driven by increased demand for our website building and website security products, partially offset by the adverse impact of lower demand for certain higher-priced subscriptions, such as GoDaddy Social, as a result of the economic disruption resulting from the COVID-19 pandemic.

Business applications. The 17.8% increase in business applications revenue was primarily driven by increased customer adoption of our productivity solutions as well as an increase in customers purchasing higher product tiers.

Bookings

The following table presents our total bookings for the periods indicated:

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Total bookings[(1)]	$ 3,775.5	$ 3,401.2	$ 3,011.5	$ 374.3	11 %	$ 389.7	13 %

(1) A reconciliation of total bookings to total revenue, its most directly comparable GAAP financial measure, is set forth in "Reconciliation of Bookings" above.

The 11.0% increase in total bookings was primarily driven by increases in total customers and domains under management, increased aftermarket domain sales, broadened customer adoption of non-domain products and acquisitions completed in 2020, partially offset by the negative impact the economic disruption resulting from the COVID-19 pandemic had on subscriptions for certain of our higher-priced services as well as the adverse impact of movements in foreign currency exchange rates.

Costs and Operating Expenses

Cost of revenue

Costs of revenue are the direct costs incurred in connection with selling an incremental product to our customers. Substantially all cost of revenue relates to domain registration fees, payment processing fees, third-party commissions and licensing fees for third-party productivity applications. Similar to our billing practices, we pay domain costs at the time of purchase for the life of each subscription, but recognize the costs of service ratably over the term of our customer contracts. The terms of registry pricing are established by agreements between registries and registrars, and can vary significantly depending on the top-level domain. We expect cost of revenue to increase in absolute dollars in future periods related to the expansion of our domains business, higher sales of third-party productivity applications and growth in our customer base. However, cost of revenue may fluctuate as a percentage of total revenue, depending on the mix of products sold in a particular period. Subsequent to our acquisition of the registry operations of Neustar in August 2020, we no longer incur domain registration fees on purchases of former Neustar TLDs.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Cost of revenue	$ 1,158.6	$ 1,026.8	$ 893.9	$ 131.8	13 %	$ 132.9	15 %

The 12.8% increase in cost of revenue was primarily attributable to higher domain costs driven by increases in domains under management and aftermarket domain sales, increased software licensing fees resulting from higher sales of productivity solutions and increased payment processing fees resulting from our bookings growth.

Technology and development

Technology and development expenses represent the costs associated with the creation, development and distribution of our products and websites. These expenses primarily consist of personnel costs associated with the design, development, deployment, testing, operation and enhancement of our products, as well as costs associated with the data centers and systems infrastructure supporting those products, excluding depreciation expense. We expect technology and development expense to increase in absolute dollars as we continue to invest in product development and migrate our infrastructure to a cloud-based third-party provider. Technology and development expenses may fluctuate as a percentage of total revenue depending on our level of investment in additional personnel and the pace of our infrastructure transition.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Technology and development	$ 560.4	$ 492.6	$ 434.0	$ 67.8	14 %	$ 58.6	14 %

As discussed in our 2019 Form 10-K, we recorded a $7.2 million reduction in equity-based compensation expense in 2019 to correct an error related to the accounting for certain PSUs in prior periods. Excluding this correction, technology and development expenses increased 12.1%, primarily as a result of increased personnel costs driven by higher average headcount associated with our continued investment in product development and increased technology costs associated with the growth of our business and our migration to a cloud-based infrastructure.

Marketing and advertising

Marketing and advertising expenses represent the costs associated with attracting and acquiring customers, primarily consisting of fees paid to third parties for marketing and advertising campaigns across a variety of channels. These expenses also include personnel costs and affiliate program commissions. We expect marketing and advertising expenses to fluctuate depending on both the mix of internal and external marketing resources used, the size and scope of our future campaigns and the level of discretionary investments we make in marketing to drive future sales.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Marketing and advertising	$ 438.5	$ 345.6	$ 291.4	$ 92.9	27 %	$ 54.2	19 %

The 26.9% increase in marketing and advertising expenses was primarily attributable to increased discretionary spending and personnel costs associated with additional marketing investments we made in 2020 to capture increased demand for certain of our products during the COVID-19 pandemic.

Customer care

Customer care expenses represent the costs to guide and service our customers, primarily consisting of personnel costs. We expect customer care expenses to fluctuate depending on the level of personnel required to support our business.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Customer care	$ 316.9	$ 348.7	$ 323.1	$ (31.8)	(9) %	$ 25.6	8 %

The 9.1% decrease in customer care expenses was primarily due to the headcount reductions related to the restructuring plan implemented during the second quarter of 2020, as further discussed below, in conjunction with operating efficiencies gained as we scale our business and increase our use of alternative methods of customer interaction. We expect these expenses to remain lower in the short-term as a result of the headcount reductions associated with the restructuring.

General and administrative

General and administrative expenses primarily consist of personnel costs for our administrative functions, professional service fees, office rent for all locations, all employee travel expenses, acquisition-related expenses and other general costs. We expect general and administrative expenses to fluctuate depending on the level of personnel and other administrative costs required to support our business as well as the significance of any strategic acquisitions we choose to pursue.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
General and administrative	$ 323.8	$ 362.1	$ 334.0	$ (38.3)	(11) %	$ 28.1	8 %
General and administrative, adjusted for certain items described below	$ 333.8	$ 350.1	$ 334.0	$ (16.3)	(5) %	$ 16.1	5 %

The following items are included in general and administrative expenses in the periods indicated:

- As discussed in Note 12 to our financial statements, we recorded an $18.1 million legal settlement accrual in 2019. During 2020, we reduced the settlement accrual by an aggregate of $10.0 million.
- As discussed in our 2019 Form 10-K, we recorded a $6.1 million reduction in equity-based compensation expense in 2019 to correct an error related to the accounting for certain PSUs in prior periods.

Excluding the items described above, the 4.7% decrease in general and administrative expenses was primarily driven by lower travel and other general costs, partially offset by an increase in acquisition-related expenses.

Restructuring charges

The $43.6 million in restructuring charges in 2020 were incurred pursuant to a restructuring plan implemented in June 2020, as further discussed in Note 13 to our financial statements. We implemented the restructuring to address the sustainability of our U.S. outbound sales and operations, which faced challenges with respect to soft customer demand for certain higher-priced, do-it-for-you services such as GoDaddy Social. These challenges were exacerbated by the economic disruption resulting from the COVID-19 pandemic.

Restructuring charges included: (i) $14.6 million in severance and related benefits to be paid to, or on behalf of, the approximately 470 employees who were involuntarily terminated and the approximately 110 employees who voluntarily did not accept alternate roles with us, as well as professional fees incurred in connection with the restructuring; (ii) a $27.9 million impairment of operating lease assets associated with the closure of our leased offices in Austin, Texas; and (iii) $1.1 million of accelerated depreciation and operating lease assets amortization related to the office closures. We do not expect to incur any significant additional charges related to this restructuring.

Depreciation and amortization

Depreciation and amortization expenses consist of charges relating to the depreciation of the property and equipment used in our operations and the amortization of acquired intangible assets. These expenses may increase or decrease in absolute dollars in future periods depending on our future level of capital investments in hardware and other equipment as well as the significance of any future acquisitions.

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Depreciation and amortization	$ 202.7	$ 209.7	$ 234.1	$ (7.0)	(3) %	$ (24.4)	(10) %

The 3.3% decrease in depreciation and amortization expenses resulted from assets that became fully depreciated, partially offset by the impact of increased amortization expense related to acquisitions completed in 2020.

Interest expense

	Year Ended December 31,			2020 to 2019		2019 to 2018	
	2020	2019	2018	$ change	% change	$ change	% change
Interest expense	$ 91.3	$ 92.1	$ 98.4	$ (0.8)	(1) %	$ (6.3)	(6) %

The 0.9% decrease in interest expense was driven by more favorable effective interest rates on our variable rate borrowings, partially offset by the issuance of additional long-term debt in August 2020.

Loss on debt extinguishment

In 2019, we recognized a loss on debt extinguishment of $14.8 million, primarily related to the $600.0 million partial prepayment of term loan borrowings with the proceeds of the issuance of the Senior Notes. See Note 9 to our financial statements for additional discussion.

Tax receivable agreements liability adjustment

In 2020, we recorded a $674.7 million charge as a result of the settlement of our obligations under the TRAs, as further described below and in Note 16 to our financial statements.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity have been cash flow generated from operations, long-term debt borrowings and stock option exercises. Our principal uses of cash have been to fund operations, acquisitions and capital expenditures, as well as to make mandatory principal and interest payments on our long-term debt and to repurchase shares of our Class A common stock.

In general, we seek to deploy our capital in a prioritized manner focusing first on requirements for our operations, then on growth investments, and finally on equity holder returns. Our strategy is to deploy capital from any potential source, whether debt, equity or internally generated cash, depending on the adequacy and availability of the source of capital and which source may be used most efficiently and at the lowest cost at such time. Therefore, while cash from operations is our primary source of operating liquidity and we believe our internally-generated cash flows are sufficient to support our day-to-day operations, we may use a variety of capital sources to fund our needs for less predictable investment decisions such as strategic acquisitions and share repurchases.

We have incurred significant long-term debt to fund acquisitions and the settlement of the TRAs (as further discussed below) as well as for our working capital needs, and as a result, we are limited as to how we conduct our business and may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities, strategic acquisitions or share repurchases. However, the restrictions under our long-term debt agreements are subject to a number of qualifications and may be amended with the consent of the lenders and the holders of the Senior Notes, as applicable.

We believe our existing cash and cash equivalents and cash generated by operating activities will be sufficient to meet our anticipated operating cash needs for at least the next 12 months. However, our future capital requirements will depend on many factors, including our growth rate, macroeconomic activity, the length and severity of business disruptions associated with the COVID-19 pandemic, the timing and extent of spending to support domestic and international development efforts, continued brand development and advertising spend, the level of customer care and general and administrative activities, the introduction of new and enhanced product offerings, the costs to support new and replacement capital equipment, the completion of strategic acquisitions or share repurchases and other factors. Some of the factors that may influence our operations are not within our control, such as general economic conditions and the length and severity of the ongoing COVID-19 pandemic. Although there is uncertainty related to the potential impact of COVID-19 on our future results, we believe our business model and the strength of our balance sheet have well positioned us to manage our business through this crisis. However, we will continue to monitor our liquidity position. Should we pursue additional strategic acquisitions or share repurchases, we may need to raise additional capital, which may be in the form of long-term debt or equity financings.

Credit Facility and Senior Notes

Our long-term debt obligations consist of the Credit Facility and the Senior Notes. In August 2020, we increased our borrowings under the Credit Facility through the issuance of an additional $750.0 million in term loans, which were used to partially fund the payments associated with the settlement of our obligations under the TRAs, as discussed below. See Note 9 to our financial statements for additional information regarding our long-term debt.

Our long-term debt agreements contain covenants restricting, among other things, our ability, or the ability of our subsidiaries, to incur indebtedness, issue certain types of equity, incur liens, enter into fundamental changes including mergers and consolidations, sell assets, make restricted payments including dividends, distributions and investments, prepay junior indebtedness and engage in operations other than in connection with acting as a holding company, subject to customary exceptions. As of December 31, 2020, we were in compliance with all such covenants and had no amounts drawn on our revolving credit loan. We currently have no reason to believe we will be unable to satisfy these covenants; however, the economic disruption resulting from the COVID-19 pandemic has made it more difficult to forecast our future results.

As further discussed in Note 10 to our financial statements, we have hedged a portion of our long-term debt through the use of cross-currency and interest rate swap derivative instruments. These instruments help us manage and mitigate our risk of exposure to changes in foreign currency exchange rates and interest rates. See "Quantitative and Qualitative Disclosures About Market Risk" for additional discussion of our hedging activities.

Tax Receivable Agreements

As discussed in Note 16 to our financial statements, we entered into settlement and release agreements with respect to four of the TRAs and an amendment to the fifth TRA, pursuant to which settled all of our obligations under the TRAs in exchange for aggregate payments totaling $850.0 million, of which $849.8 million was paid during 2020. Upon payment, we were released from all obligations to the parties to the TRAs, including the holders of unexchanged LLC Units. The settlement payments were funded with a combination of cash and the proceeds from the issuance of the new term loans discussed above.

By entering into the TRA Settlement Agreements, we were able to achieve an attractive return by settling our obligations under the TRAs at a significant discount to the approximately $1.8 billion in estimated payments we would have potentially otherwise made under these agreements, assuming we are able to fully utilize the relevant acquired tax benefits.

Share Repurchase Programs

Our Board has authorized a $500.0 million share repurchase program, as described in Note 5 to our financial statements. During 2019 and 2020, we repurchased a total of 7,125 and 9,986 shares of our Class A common stock in the open market, respectively, pursuant to our previous share repurchase programs, for an aggregate purchase price of $458.6 million and $541.7 million, respectively, including commissions. As of December 31, 2020, we have $500.0 million remaining available under our current share repurchase program.

Acquisitions

See Note 3 to our financial statements for a discussion of cash payments made in connection with acquisitions completed in 2020.

In February 2021, we acquired Poynt Co. for $329.2 million in cash paid at closing and an additional $45.0 million in deferred cash payments subject to certain performance and employment conditions over the three years subsequent to the closing date. Poynt offers a suite of products allowing small businesses to sell and accept payments anywhere, including point-of-sale systems, payments, invoicing and transaction management.

Restructuring

As discussed in Note 13 to our financial statements, we implemented a restructuring plan in June 2020 to address the sustainability of our U.S. outbound sales and operations. Cash payments of $14.4 million related to the restructuring were made during 2020, and no material amounts remain as of December 31, 2020.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2020	2019	2018
Net cash provided by operating activities	$ 764.6	$ 723.4	$ 559.8
Net cash used in investing activities	(482.3)	(135.3)	(254.8)
Net cash provided by (used in) financing activities	(581.7)	(456.9)	47.0
Effect of exchange rate changes on cash and cash equivalents	1.8	(0.8)	(2.3)
Net increase (decrease) in cash and cash equivalents	$ (297.6)	$ 130.4	$ 349.7

Operating Activities

Our primary source of cash from operating activities has been cash collections from our customers. We expect cash inflows from operating activities to be primarily affected by increases in total bookings. Our primary uses of cash from operating activities have been for domain registration costs paid to registries, licensing fees related to third-party productivity solutions, personnel costs, discretionary marketing and advertising costs, technology and development costs and interest payments. We expect cash outflows from operating activities to be affected by the timing of payments we make to registries and increases in personnel and other operating costs as we continue to grow our business and increase our international presence.

Net cash provided by operating activities increased $41.2 million from $723.4 million in 2019 to $764.6 million in 2020, primarily driven by our bookings growth.

Investing Activities

Our investing activities primarily consist of strategic acquisitions and purchases of property and equipment to support the overall growth of our business. We expect our investing cash flows to be affected by the timing of payments we make for capital expenditures and the strategic acquisition or other growth opportunities we decide to pursue.

Net cash used in investing activities increased $347.0 million from $135.3 million in 2019 to $482.3 million in 2020, primarily due to a $384.4 million increase in spending for business acquisitions, partially offset by a $21.1 million decrease in capital expenditures and a $27.9 million increase in net inflows from short-term investments.

Financing Activities

Our financing activities primarily consist of long-term debt borrowings, the repayment of principal on long-term debt, stock option exercises and share repurchases.

Net cash used in financing activities increased $124.8 million from $456.9 million in 2019 to $581.7 million in 2020, primarily due to $849.8 million in TRA settlement payments in 2020 and an $83.1 million increase in share repurchases, partially offset by the receipt of $746.3 million in net proceeds from the issuance of new term loans and a $54.3 million decrease in acquisition contingent consideration payments.

Deferred Revenue

See Note 7 to our financial statements for details regarding the expected future recognition of deferred revenue.

Contractual Obligations

The following table summarizes our material contractual obligations and commitments as of December 31, 2020:

	Total Payments	Payments due by period			
		1 year	2-3 years	4-5 years	5+ years
Long-term debt, including current maturities(1)	$ 3,153.6	$ 32.5	$ 65.0	$ 1,747.5	$ 1,308.6
Interest on long-term debt(2)	455.1	86.0	169.9	105.8	93.4
Operating leases(3)	253.6	50.8	63.2	50.2	89.4
Service agreements(4)	208.2	83.3	112.5	12.3	0.1
Total material contractual obligations	$ 4,070.5	$ 252.6	$ 410.6	$ 1,915.8	$ 1,491.5

(1) See Note 9 to our financial statements for information regarding the terms of our long-term debt agreements.
(2) Interest on long-term debt excludes both the amortization of deferred debt issuance costs and original issue discount and the expected benefits associated with our interest rate swap arrangements. Interest on our variable rate debt is calculated using the rate in effect at December 31, 2020.
(3) See Note 11 to our financial statements for information regarding our operating lease commitments. The amounts include the imputed interest component of our operating lease liabilities.
(4) See Note 12 to our financial statements for information regarding our service agreement commitments.

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, we had no off-balance sheet arrangements that had, or which are reasonably likely to have, a material effect on our financial statements.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP, and in doing so, we make estimates, assumptions and judgments affecting the reported amounts of assets, liabilities, revenues and expenses, as well as the related disclosure of contingent assets and liabilities. We base our estimates, assumptions and judgments on historical experience and on various other factors we believe to be reasonable under the circumstances, and we evaluate these estimates, assumptions and judgments on an ongoing basis. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could change our results from those reported. We refer to estimates, assumptions and judgments of this type as our critical accounting policies and estimates, which we discuss further below. We review our critical accounting policies and estimates with the audit and finance committee of our board of directors on an annual basis.

See Note 2 to our financial statements for a summary of our significant accounting policies.

Revenue Recognition

We recognize revenue when control of the promised products is transferred to a customer, in an amount reflecting the consideration we expect to be entitled to in exchange for those products. Payments received in advance of our performance are recorded as deferred revenue. Revenue is recognized net of allowances for returns and transaction-based taxes collected.

We generally sell our products with a right of return, which we account for as variable consideration when estimating the amount of revenue to recognize. Refunds are estimated at contract inception using the expected value method based on historical refund experience and updated each reporting period as additional information becomes available. Our annual refund rate has ranged from 6.4% to 6.9% of total bookings from 2018 to 2020.

We may sell multiple products to customers at the same time. For example, we may design a customer website and separately offer other products such as hosting and a SSL certificate, or a customer may combine a domain registration with other products such as Websites + Marketing or email. Judgment may be required in determining whether products are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. The majority of our revenue arrangements consist of multiple performance obligations, with revenue recognized over the period in which each performance obligation is satisfied, which is generally over the contract term.

For arrangements with multiple performance obligations, we allocate revenue to each distinct performance obligation based on its relative stand-alone selling price (SSP). Our process for determining SSP requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each performance obligation. We determine SSP based on prices charged to customers for individual products, taking into consideration other factors, which may include (i) historical and expected discounting practices; (ii) the size, volume and term length of transactions; (iii) customer demographics; (iv) the geographic areas in which our products are sold; and (v) our overall go-to-market strategy.

We sell our products directly to customers and also through a network of resellers. In certain cases, we act as a reseller of products provided by others. The determination of gross or net revenue recognition is reviewed on a product-by-product basis and is dependent on whether we act as principal or agent in the transaction.

See Notes 2 and 7 to our financial statements for additional information regarding revenue recognition and deferred revenue.

Business Combinations

We include the results of operations of acquired businesses in our financial statements as of the respective dates of acquisition. Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date, with respect to tangible and intangible assets acquired, liabilities assumed and pre-acquisition contingencies. The purchase price, including estimates of the fair value of contingent consideration when applicable, is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values on the respective acquisition dates, with the excess recorded as goodwill. Critical estimates used in valuing certain acquired intangible assets include, but are not limited to, future expected cash flows (primarily from customer relationships and developed technology) and discount rates.

Contingent consideration liabilities, which relate to future earn-out payments associated with our acquisitions, are generally valued using discounted cash flow valuation methods. Critical estimates used in valuing these liabilities include estimated operating results scenarios for the applicable performance periods, probability weightings assigned to operating results scenarios and discount rates.

We use our best estimates and assumptions to determine acquisition-date fair values. These estimates are inherently uncertain and subject to refinement. We continue to collect information and reevaluate our preliminary estimates and assumptions and record any qualifying measurement period adjustments to goodwill. Contingent consideration is adjusted to fair value in subsequent periods as an increase or decrease in general and administrative expenses.

See Notes 2 and 3 to our financial statements for additional information regarding business combinations.

Goodwill and Indefinite-Lived Intangible Assets

We make estimates, assumptions and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocations of business combinations, as well as when evaluating the recoverability of our goodwill and other intangible assets on an ongoing basis. We assess our goodwill and indefinite-lived intangible assets for impairment at least annually during the fourth quarter. We will also perform an assessment at other times if and when events or changes in circumstances indicate the carrying value of these assets may not be recoverable.

We perform our impairment assessment based on qualitative analysis, which includes considering various factors including macroeconomic conditions, industry and market conditions and our historical and projected operating results. If, based on our qualitative analysis, we were to determine it is more-likely-than-not the fair value of our single reporting unit is less than its carrying amount, we would record an impairment loss for the amount equal to such excess.

Our qualitative analyses during 2020, 2019 and 2018 did not indicate any impairment. As of December 31, 2020, we believe such assets are recoverable; however, there can be no assurances these assets will not be impaired in future periods. Any future impairment charges could adversely impact our results of operations.

See Notes 2 and 4 to our financial statements for additional information regarding goodwill and indefinite-lived intangible assets.

Income Taxes

We are subject to U.S. federal, state and foreign income taxes with respect to our allocable share of any taxable income or loss of Desert Newco, as well as any stand-alone income or loss we generate. Significant judgment is required in determining our provision or benefit for income taxes and in evaluating uncertain tax positions.

We account for income taxes under the asset and liability method, which requires the recognition of DTAs and DTLs for the expected future tax consequences of events included in our financial statements. Under this method, we determine DTAs and DTLs on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in income in the period in which the enactment date occurs.

We recognize DTAs to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

We recognize tax benefits from uncertain tax positions only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized from such positions are measured based on the largest benefit having a greater than 50% likelihood of being realized.

See Notes 2 and 15 to our financial statements for additional information regarding income taxes and the considerations that could lead to a release of substantially all of the valuation allowance against our DTAs.

Indirect Taxes

We are subject to indirect taxation in some, but not all, of the various states and foreign jurisdictions in which we and our subsidiaries conduct business. Laws and regulations attempting to subject communications and commerce conducted over the Internet to various indirect taxes are becoming more prevalent, both in the U.S. and internationally, and may impose additional burdens on us in the future. Increased regulation could negatively affect our business directly, as well as the businesses of our customers. Taxing authorities may impose indirect taxes on the Internet-related revenue we generate based on regulations currently being applied to similar, but not directly comparable, industries. There are many transactions and calculations where the ultimate indirect tax determination is uncertain. In addition, domestic and international indirect taxation laws, or interpretations thereof, are subject to change.

The calculation of our reserve for indirect taxes involves significant management estimates and is based on an ongoing analysis of our business activities, revenues subject to indirect taxes and applicable regulations. Although we believe our indirect tax estimates and associated liabilities are reasonable, the final determination of indirect tax audits, litigation or settlements could be materially different than the amounts established for indirect tax contingencies.

See Note 12 to our financial statements for additional information regarding indirect taxes.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising from uncertain and unresolved matters in the ordinary course of business and from events or actions by others having the potential to result in a future loss. Such contingencies may include, but are not limited to, intellectual property claims, putative class actions, commercial and consumer protection claims, labor and employment claims, breach of contract claims, regulatory proceedings, product service level commitments and losses resulting from other events and developments. We consider the likelihood of loss, the impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, a liability is recorded based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties impacting the ultimate resolution of the contingency. It is also not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided. Disclosure is also provided when it is reasonably possible a loss will be incurred or when it is reasonably possible the amount of a loss will exceed the recorded amounts.

We regularly review all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. Development of a meaningful estimate of loss, or a range of potential loss, is complex when the outcome is directly dependent on negotiations with, or decisions by, third parties such as regulatory agencies, court systems in various jurisdictions and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates. Until the final resolution of such matters, there may be an exposure to loss in excess of the amounts recorded, and such amounts could be material. Should any of our estimates and assumptions change or prove to have been incorrect, it could have a material impact on our business, operating results or financial condition.

See Note 12 to our financial statements for additional information regarding loss contingencies.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 to our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and variable interest rates. Consequently, we may employ policies and procedures to mitigate such risks, including the use of derivative financial instruments, which are discussed in more detail in Note 10 to our financial statements. We do not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, we are exposed to the risk that counterparties to our contracts may fail to meet their contractual obligations. To mitigate such counterparty credit risk, we enter into contracts only with carefully selected financial institutions based upon ongoing evaluations of their creditworthiness. As a result, we do not believe we are exposed to any undue concentration of counterparty risk with respect to our derivative contracts as of December 31, 2020.

The uncertainty related to the economic impact of the global COVID-19 pandemic has introduced significant volatility in the financial markets. We are actively monitoring this situation and its potential impacts on our business.

Foreign Currency Risk

We manage our exposure to changes in foreign currency exchange rates through the use of foreign exchange forward contracts and cross-currency swap contracts. See Note 10 to our financial statements for a summary of the notional amounts and fair values of such arrangements. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our cash and cash equivalents.

Foreign Exchange Forward Contracts

A portion of our bookings, revenue and operating expenses is denominated in foreign currencies, which are subject to exchange rate fluctuations. Our most significant foreign currency exposures are the Euro, the British pound, the Indian Rupee and the Canadian dollar. Our reported bookings, revenues and operating results may be impacted by fluctuations in foreign currency exchange rates. Fluctuations in exchange rates may also cause us to recognize transaction gains and losses in our statements of operations; however, to date, such amounts have not been material. As our international operations continue to grow, our exposure to fluctuations in exchange rates will increase, which may increase the costs associated with this growth. During 2020, our total bookings growth in constant currency would have been approximately 60 basis points higher and our total revenue growth would have been approximately 40 basis points higher. Constant currency is calculated by translating bookings and revenue for each month in the current period using the foreign currency exchange rate for the corresponding month in the prior period, excluding any hedging gains or losses realized during the period.

From time-to-time, we may utilize foreign exchange forward contracts to manage the volatility of our bookings and revenue related to foreign currency transactions. These forward contracts reduce, but do not eliminate, the impact of adverse currency exchange rate fluctuations. We generally designate these forward contracts as cash flow hedges for accounting purposes. Changes in the intrinsic value of designated hedges are recorded as a component of accumulated other comprehensive income (loss) (AOCI). Gains and losses, once realized, are recorded as a component of AOCI and are amortized to revenue over the same period in which the underlying hedged amounts are recognized. At December 31, 2020, the realized and unrealized losses included in AOCI related to designated hedges were $2.0 million and $15.7 million, respectively.

Cross-Currency Swap Contract

In order to manage variability due to movements in foreign currency exchange rates related to a Euro-denominated intercompany loan, we entered into a five-year cross-currency swap in April 2017. The cross-currency swap, which matures on April 3, 2022, had a notional amount of €1,196.7 million at December 31, 2020 and converts the fixed rate Euro-denominated interest and principal receipts on the intercompany loan into fixed U.S. dollar interest and principal receipts. The cross-currency swap, which is designated as a cash flow hedge and recognized as an asset or liability at fair value, effectively creates a fixed-rate U.S. dollar intercompany loan from a fixed rate Euro-denominated intercompany loan, thereby reducing our exposure to fluctuations between the Euro and U.S. dollar. Changes to the fair value of the cross-currency swap due to changes in the value of the U.S. dollar relative to the Euro would be largely offset by the net change in the fair values of the underlying hedged items.

Interest Rate Risk

Interest rate risk reflects our exposure to movements in interest rates associated with our variable-rate debt. See Note 9 to our financial statements for additional information regarding our long-term debt.

Total borrowings under our 2024 Term Loans were $1,807.4 million as of December 31, 2020. These borrowings bear interest at a rate equal to, at our option, either (a) LIBOR plus 1.75% per annum or (b) 0.75% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%.

Total borrowings under our 2027 Term Loans were $746.2 million as of December 31, 2020. These borrowings bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.50% per annum or (b) 1.5% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0% .

All LIBOR-based interest rates under the Credit Facility are subject to a 0.0% floor on LIBOR.

In April 2017, we entered into a five-year pay-fixed rate, receive-floating rate interest rate swap arrangement to effectively convert a portion of the variable rate borrowings under the 2024 Term Loans to a fixed rate of 5.44%. This interest rate swap, the notional amount of which was $1,275.8 million at December 31, 2020, matures on April 3, 2022.

In August 2020, in conjunction with the issuance of the 2027 Term Loans, we entered into seven-year pay-fixed rate, receive-floating rate interest rate swap arrangements to effectively convert the variable one-month LIBOR interest rate on the 2027 Term Loans borrowings to a fixed rate of 0.705%. These interest rate swaps, which mature on August 10, 2027, had an aggregate notional amount of $746.2 million at December 31, 2020.

The objective of our interest rate swaps, all of which are designated as cash flow hedges, is to manage the variability of cash flows in the interest payments related to the portion of variable-rate debt designated as being hedged.

For the balance of our long-term debt not subject to interest rate swaps, the effect of a hypothetical 10% change in interest rates would not have had a material impact on our interest expense.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of GoDaddy Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of GoDaddy Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Business Combination – Valuation of Acquired Intangible Asset
Description of the Matter	As discussed in Note 3 of the consolidated financial statements, the Company completed the acquisition of the registry operations of Neustar Inc. in August 2020 for purchase consideration consisting of $217.2 million in cash and the settlement of $19.4 million in pre-existing contractual relationships. The Company accounted for this transaction as a business combination. Auditing management's accounting for the acquisition was complex due to the significant estimation uncertainty in determining the fair value of the acquired indefinite-lived contractual-based asset totaling $67.0 million. The contractual-based intangible asset was valued using an income-based approach. The fair value determinations of the asset acquired required management to make estimates and significant assumptions regarding the future cash flows of the intangible asset, including revenue growth rates, earnings metrics, economic life, and discount rate. These significant assumptions were forward-looking and could be affected by future market and economic conditions.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls that address the risks of material misstatement relating to valuation of the acquired intangible asset. For example, we tested controls over management's review of the valuation model for the acquired intangible asset, as well as the completeness and accuracy of the valuation inputs. To test the estimated fair value of the intangible asset, our audit procedures included, among others, assessing the fair value methodology used by the Company and testing the significant assumptions and the underlying data used by the Company in its analyses. We involved firm valuation specialists to assist us in our evaluation of the Company's valuation model, related assumptions and outputs of the valuation model. We evaluated the methodology used by the Company and significant assumptions included in the fair value estimate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2004.

Phoenix, Arizona
February 19, 2021

GoDaddy Inc.
Consolidated Balance Sheets
(In millions, except shares in thousands and per share amounts)

	December 31,	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	$ 765.2	$ 1,062.8
Short-term investments	—	23.6
Accounts and other receivables	41.8	30.2
Registry deposits	31.1	27.2
Prepaid domain name registry fees	392.4	382.6
Prepaid expenses and other current assets	60.8	48.9
Total current assets	1,291.3	1,575.3
Property and equipment, net	257.3	258.6
Operating lease assets	142.0	196.6
Prepaid domain name registry fees, net of current portion	176.1	179.3
Goodwill	3,275.1	2,976.5
Intangible assets, net	1,255.1	1,097.7
Other assets	36.0	17.2
Total assets	$ 6,432.9	$ 6,301.2
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 51.0	$ 72.3
Accrued expenses and other current liabilities	527.4	366.0
Deferred revenue	1,711.3	1,544.4
Long-term debt	24.3	18.4
Payable pursuant to tax receivable agreements	0.2	—
Total current liabilities	2,314.2	2,001.1
Deferred revenue, net of current portion	725.1	654.4
Long-term debt, net of current portion	3,090.1	2,376.8
Operating lease liabilities, net of current portion	166.7	192.9
Payable pursuant to tax receivable agreements, net of current portion	—	175.3
Other long-term liabilities	56.6	17.7
Deferred tax liabilities	92.0	100.9
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value - 50,000 shares authorized; none issued and outstanding	—	—
Class A common stock, $0.001 par value - 1,000,000 shares authorized; 169,157 and 172,867 shares issued and outstanding as of December 31, 2020 and 2019, respectively	0.2	0.2
Class B common stock, $0.001 par value - 500,000 shares authorized; 688 and 1,490 shares issued and outstanding as of December 31, 2020 and 2019, respectively	—	—
Additional paid-in capital	1,308.8	1,003.5
Accumulated deficit	(1,190.9)	(153.5)
Accumulated other comprehensive loss	(131.0)	(78.2)
Total stockholders' equity (deficit) attributable to GoDaddy Inc.	(12.9)	772.0
Non-controlling interests	1.1	10.1
Total stockholders' equity (deficit)	(11.8)	782.1
Total liabilities and stockholders' equity (deficit)	$ 6,432.9	$ 6,301.2

See accompanying notes to consolidated financial statements.

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GoDaddy Inc.
Consolidated Statements of Operations
(In millions, except shares in thousands and per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Revenue:			
Domains	$ 1,515.1	$ 1,351.6	$ 1,220.3
Hosting and presence	1,200.6	1,126.5	1,017.6
Business applications	601.0	510.0	422.2
Total revenue	3,316.7	2,988.1	2,660.1
Costs and operating expenses[(1)]:			
Cost of revenue (excluding depreciation and amortization)	1,158.6	1,026.8	893.9
Technology and development	560.4	492.6	434.0
Marketing and advertising	438.5	345.6	291.4
Customer care	316.9	348.7	323.1
General and administrative	323.8	362.1	334.0
Restructuring charges	43.6	—	—
Depreciation and amortization	202.7	209.7	234.1
Total costs and operating expenses	3,044.5	2,785.5	2,510.5
Operating income	272.2	202.6	149.6
Interest expense	(91.3)	(92.1)	(98.4)
Loss on debt extinguishment	—	(14.8)	—
Tax receivable agreements liability adjustment	(674.7)	8.7	14.9
Other income (expense), net	(1.6)	22.0	6.9
Income (loss) before income taxes	(495.4)	126.4	73.0
Benefit for income taxes	1.3	12.0	9.0
Net income (loss)	(494.1)	138.4	82.0
Less: net income attributable to non-controlling interests	1.0	1.4	4.9
Net income (loss) attributable to GoDaddy Inc.	$ (495.1)	$ 137.0	$ 77.1
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock:			
Basic	$ (2.94)	$ 0.79	$ 0.50
Diluted	$ (2.94)	$ 0.76	$ 0.45
Weighted-average shares of Class A common stock outstanding:			
Basic	168,636	173,431	155,234
Diluted	168,636	181,721	181,353

[(1)] Costs and operating expenses include equity-based compensation expense as follows:

	2020	2019	2018
Cost of revenue	$ 0.7	$ 0.4	$ —
Technology and development	90.2	70.3	57.8
Marketing and advertising	21.7	15.4	10.3
Customer care	12.0	9.3	6.2
General and administrative	66.9	51.6	51.2
Total equity-based compensation expense	$ 191.5	$ 147.0	$ 125.5

See accompanying notes to consolidated financial statements.

GoDaddy Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In millions)

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	$ (494.1)	$ 138.4	$ 82.0
Foreign exchange forward contracts gain (loss), net	(17.6)	(2.7)	8.9
Unrealized swap gain (loss), net (net of tax effect of $2.2 in 2020)	9.1	0.8	14.2
Change in foreign currency translation adjustment	(44.2)	37.7	(5.5)
Comprehensive income (loss)	(546.8)	174.2	99.6
Less: comprehensive income attributable to non-controlling interests	1.1	2.2	8.9
Comprehensive income (loss) attributable to GoDaddy Inc.	$ (547.9)	$ 172.0	$ 90.7

See accompanying notes to consolidated financial statements.

GoDaddy Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(In millions, except shares in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2017	132,993	$ 0.1	35,006	$ —	$ 484.4	$ 87.7	$ (85.7)	$ 60.0	$ 546.5
Net income	—	—	—	—	—	77.1	—	4.9	82.0
Equity-based compensation	—	—	—	—	125.5	—	—	—	125.5
Stock option and warrant exercises	4,782	0.1	—	—	76.3	—	—	(9.2)	67.2
Issuances of Class A common stock under employee stock purchase plan	469	—	—	—	21.9	—	—	—	21.9
Exchanges of LLC units	28,752	—	(28,752)	—	27.9	—	—	(27.9)	—
Tax receivable agreements liability arising from exchanges	—	—	—	—	(36.2)	—	—	—	(36.2)
Impact of derivatives, net	—	—	—	—	—	—	23.1	—	23.1
Change in foreign currency translation adjustment	—	—	—	—	—	—	(5.5)	—	(5.5)
Attribution of accumulated other comprehensive income (loss)	—	—	—	—	—	—	(4.0)	4.0	—
Vesting of restricted stock units and other	1,553	—	—	—	—	—	—	—	—
Balance at December 31, 2018	168,549	0.2	6,254	—	699.8	164.8	(72.1)	31.8	824.5
Net income	—	—	—	—	—	137.0	—	1.4	138.4
Equity-based compensation, including amounts capitalized	—	—	—	—	149.2	—	—	—	149.2
Repurchases of Class A common stock	(7,125)	—	—	—	—	(458.6)	—	—	(458.6)
Stock option exercises	3,976	—	—	—	74.9	—	—	(4.2)	70.7
Issuances of Class A common stock under employee stock purchase plan	508	—	—	—	28.5	—	—	—	28.5
Exchanges of LLC units	4,764	—	(4,764)	—	9.1	—	(2.6)	(6.5)	—
Tax receivable agreements liability arising from exchanges	—	—	—	—	(9.7)	—	—	—	(9.7)
Impact of derivatives, net	—	—	—	—	—	—	(1.9)	—	(1.9)
Change in foreign currency translation adjustment	—	—	—	—	—	—	37.7	—	37.7
Attribution of accumulated other comprehensive income (loss)	—	—	—	—	—	—	(0.8)	0.8	—
Vesting of restricted stock units and other	2,195	—	—	—	—	3.3	—	—	3.3
Adjustment to prior period non-controlling interests allocations	—	—	—	—	51.7	—	(38.5)	(13.2)	—
Balance at December 31, 2019	172,867	0.2	1,490	—	1,003.5	(153.5)	(78.2)	10.1	782.1

GoDaddy Inc.
Consolidated Statements of Stockholders' Equity (Deficit) (continued)
(In millions, except shares in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Net income (loss)	—	—	—	—	—	(495.1)	—	1.0	(494.1)
Equity-based compensation, including amounts capitalized	—	—	—	—	193.9	—	—	—	193.9
Repurchases of Class A common stock	(9,986)	—	—	—	—	(541.7)	—	—	(541.7)
Stock option exercises	2,613	—	—	—	79.6	—	—	(1.9)	77.7
Issuances of Class A common stock under employee stock purchase plan	493	—	—	—	29.6	—	—	—	29.6
Exchanges of LLC units	802	—	(802)	—	2.2	—		(2.2)	—
Distributions to holders of LLC Units	—	—	—	—	—	—	—	(6.0)	(6.0)
Impact of derivatives, net	—	—	—	—	—	—	(8.5)	—	(8.5)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(44.2)	—	(44.2)
Attribution of accumulated other comprehensive income (loss)	—	—	—	—	—	—	(0.1)	0.1	—
Vesting of restricted stock units and other	2,368	—	—	—	—	(0.6)	—	—	(0.6)
Balance at December 31, 2020	169,157	$ 0.2	688	$ —	$ 1,308.8	$ (1,190.9)	$ (131.0)	$ 1.1	$ (11.8)

See accompanying notes to consolidated financial statements.

GoDaddy Inc.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2020	2019	2018
Operating activities			
Net income (loss)	$ (494.1)	$ 138.4	$ 82.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	202.7	209.7	234.1
Equity-based compensation	191.5	147.0	125.5
Non-cash restructuring charges	29.0	—	—
Loss on debt extinguishment	—	14.8	—
Tax receivable agreements liability adjustment	674.7	(8.7)	(14.9)
Other	32.7	32.7	(11.4)
Changes in operating assets and liabilities, net of amounts acquired:			
Registry deposits	(2.7)	1.1	6.2
Prepaid domain name registry fees	(17.5)	(15.1)	(15.9)
Accounts payable	(20.5)	13.6	(3.4)
Accrued expenses and other current liabilities	22.3	40.4	14.9
Deferred revenue	215.6	179.5	158.0
Other operating assets and liabilities	(69.1)	(30.0)	(15.3)
Net cash provided by operating activities	764.6	723.4	559.8
Investing activities			
Purchases of short-term investments	—	(64.1)	(24.8)
Maturities of short-term investments	23.7	59.9	18.5
Business acquisitions, net of cash acquired	(424.7)	(40.3)	(147.2)
Purchases of intangible assets	(15.0)	(4.7)	(9.3)
Purchases of property and equipment	(66.5)	(87.6)	(87.7)
Other investing activities, net	0.2	1.5	(4.3)
Net cash used in investing activities	(482.3)	(135.3)	(254.8)
Financing activities			
Proceeds received from:			
Issuance of term loans	746.3	—	—
Issuance of Senior Notes	—	600.0	—
Stock option exercises	77.7	70.7	67.2
Issuance of Class A common stock under employee stock purchase plan	29.6	28.5	21.9
Payments made for:			
Settlement of tax receivable agreements	(849.8)	—	—
Repurchases of Class A common stock	(541.7)	(458.6)	—
Repayment of term loans	(28.7)	(625.0)	(25.0)
Financing-related costs	(6.4)	(13.2)	—
Contingent consideration for business acquisitions	(0.5)	(54.8)	(10.4)
Other financing obligations	(8.2)	(4.5)	(6.7)
Net cash provided by (used in) financing activities	(581.7)	(456.9)	47.0
Effect of exchange rate changes on cash and cash equivalents	1.8	(0.8)	(2.3)
Net increase (decrease) in cash and cash equivalents	(297.6)	130.4	349.7
Cash and cash equivalents, beginning of period	1,062.8	932.4	582.7
Cash and cash equivalents, end of period	$ 765.2	$ 1,062.8	$ 932.4

GoDaddy, Inc.
Consolidated Statements of Cash Flows (continued)
(In millions)

	Year Ended December 31,		
	2020	2019	2018
Cash paid during the period for:			
Interest on long-term debt, net of swap benefit	$ 80.5	$ 80.3	$ 84.1
Income taxes, net of refunds received	$ 16.2	$ 6.1	$ 22.8
Amounts included in the measurement of operating lease liabilities	$ 53.0	$ 50.0	$ —
Supplemental disclosure of non-cash transactions:			
Operating lease assets obtained in exchange for operating lease obligations	$ 21.0	$ 126.3	$ —
Acquisition date fair value of contingent consideration	$ —	$ —	$ 45.6
Accrued purchases of property and equipment at period end	$ 3.0	$ 7.4	$ 21.9
Landlord paid tenant improvements included in purchases of property and equipment	$ 0.5	$ 11.2	$ 4.1

See accompanying notes to consolidated financial statements.

GoDaddy Inc.
Notes to Consolidated Financial Statements
(In millions, except shares in thousands and per share amounts)

1. Organization and Background

Description of Business

We deliver simple, easy-to-use cloud-based products and outcome-driven, personalized guidance, which enables our customers to establish a digital presence, connect with their customers and manage their presence.

Organization

We are the sole managing member of Desert Newco, LLC and its subsidiaries (Desert Newco), and as a result, we consolidate its financial results and report non-controlling interests representing the economic interests held by other members. The calculation of non-controlling interests excludes any net income attributable directly to GoDaddy Inc. We owned more than 99% of Desert Newco's limited liability company units (LLC Units) as of December 31, 2020.

Basis of Presentation

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP), and include our accounts and the accounts of our subsidiaries. All material intercompany accounts and transactions have been eliminated.

Prior Period Reclassifications

Reclassifications of certain immaterial prior period amounts have been made to conform to the current period presentation.

Use of Estimates

GAAP requires us to make estimates and assumptions affecting amounts reported in our financial statements. Our more significant estimates include:

- the relative stand-alone selling price of the indicated performance obligations included in revenue arrangements with multiple performance obligations;
- the estimated reserve for refunds;
- the fair value of assets acquired and liabilities assumed in business acquisitions;
- the assessment of recoverability of long-lived assets;
- the estimated useful lives of intangible and depreciable assets;
- the fair value of financial instruments;
- the recognition, measurement and valuation of current and deferred income taxes; and
- the recognition and measurement of loss contingencies, indirect tax liabilities and certain accrued liabilities.

We periodically evaluate our estimates and adjust prospectively, if necessary. We believe our estimates and assumptions are reasonable; however, actual results may differ.

Segment

As of December 31, 2020, our chief operating decision maker function was comprised of our Chief Executive Officer who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance for the entire company. Accordingly, we have a single operating and reportable segment.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, other highly liquid investments with a remaining maturity of 90 days or less at the date of acquisition and receivables related to third-party payment processor transactions normally received within 72 hours. Amounts receivable for payment processor transactions totaled $24.5 million and $25.4 million at December 31, 2020 and 2019, respectively.

Short-Term Investments

Our short-term investments consist of various instruments with a remaining maturity in excess of 90 days at the date of acquisition, which are carried at fair value. The estimated fair value of our short-term investments is determined based on quoted market prices and approximated historical cost. We did not have any material realized or unrealized gains or losses on sales of short-term investments during any of the periods presented.

We classify our short-term investments as available-for-sale at the time of purchase and reevaluate such classification at each balance sheet date. We may sell our short-term investments at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, we classify our short-term investments, including investments with maturities beyond 12 months, as current assets.

Registry Deposits

Registry deposits represent amounts on deposit with, or receivable from, various domain name registries to be used by us to make payments for future domain registrations or renewals.

Prepaid Domain Name Registry Fees

Prepaid domain name registry fees represent amounts charged by a registry at the time a domain is registered or renewed. These amounts are amortized to cost of revenue over the same period revenue is recognized for the related domain registration contracts.

Property and Equipment

Property and equipment is stated at cost. Depreciation is recorded over the estimated useful lives of the applicable assets using the straight-line method beginning on the date an asset is placed in service. We regularly evaluate the estimated useful lives to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation.

Property and equipment consisted of the following:

	Estimated Useful Lives	December 31, 2020	December 31, 2019
Computer equipment	3 years	$ 464.1	$ 434.8
Software	3-5 years	64.8	55.9
Land	Indefinite	9.0	9.0
Buildings, including improvements	5-40 years	146.6	145.5
Leasehold improvements	Lesser of useful life or remaining lease term	98.2	99.4
Other	1-20 years	27.0	25.7
Total property and equipment		809.7	770.3
Less: accumulated depreciation and amortization		(552.4)	(511.7)
Property and equipment, net		$ 257.3	$ 258.6

Depreciation and amortization expense related to property and equipment was $73.4 million, $86.5 million and $97.4 million during 2020, 2019 and 2018, respectively.

Capitalized Internal-Use Software Costs

Costs incurred to develop software for internal-use during the application development phase are capitalized and amortized over such software's estimated useful life. Costs related to the design or maintenance of internal-use software are included in technology and development expenses as incurred. We capitalized $9.9 million and $13.4 million of such costs to property and equipment during 2020 and 2019, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. Indefinite-lived intangible assets consist of the GoDaddy trade names and branding, our domain portfolio and certain contractual-based assets. Goodwill and indefinite-lived intangible assets are not amortized to earnings, but are assessed for impairment at least annually. As individual domains are sold, our indefinite-lived domain portfolio intangible asset is reduced by the allocated carrying cost of each domain, which is included in cost of revenue.

Goodwill in our single reportable segment is assessed for impairment annually during the fourth quarter of each year. We also perform an assessment at other times if events or changes in circumstances indicate the carrying value may not be recoverable. If, based on qualitative analysis, we determine it is more-likely-than-not the fair value of our reporting unit is less than its carrying amount, a quantitative impairment test is performed. Our qualitative analysis did not indicate impairment of our goodwill during any of the periods presented.

Our indefinite-lived trade names and branding, domain portfolio and contractual-based assets are reviewed for impairment annually during the fourth quarter of each year. We also perform assessments at other times if events or changes in circumstances indicate the carrying amounts of these assets may not be fully recoverable. Any identified impairment losses are treated as permanent reductions in the carrying amounts of the assets. Our qualitative analysis did not indicate impairment of our indefinite-lived assets during any of the periods presented.

Long-Lived and Finite-Lived Intangible Assets

Finite-lived intangible assets are amortized over the following estimated useful lives:

Customer relationships	2-9 years
Developed technology	3-7 years
Trade names and other	1-10 years

Our finite-lived intangible assets are primarily amortized on a straight-line basis. We annually evaluate the estimated remaining useful lives of our intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of amortization.

Long-lived and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized if the sum of the expected long-term undiscounted cash flows the asset is expected to generate is less than its carrying amount. Any write-downs are treated as permanent reductions in the carrying amount of the respective asset. Our analysis did not indicate impairment during any of the periods presented.

Debt Issuance Costs

We defer and amortize issuance costs, underwriting fees and related expenses incurred in connection with the issuance of debt instruments using the effective interest method over the terms of the respective instruments. Debt issuance costs, other than those associated with our revolving credit loan, are reflected as a direct reduction of the carrying amount of the related debt liability. Debt issuance costs related to our revolving credit loan are reflected as an asset.

Derivative Financial Instruments

We are exposed to changes in foreign currency exchange rates as well as changes in interest rates associated with our variable-rate debt. Consequently, we use derivative financial instruments to manage and mitigate such risks. We do not enter into derivative transactions for speculative or trading purposes.

We utilize a variety of derivative instruments, all of which are designated as cash flow hedges. We expect each derivative instrument qualifying for hedge accounting will be highly effective at reducing the risk associated with the exposure being hedged. For each derivative instrument designated as a hedge, we formally document the related risk management strategy and objective, including identification of the hedging instrument, the hedged item and the risk of exposure, as well as how hedge effectiveness will be assessed prospectively and retrospectively over the instrument's term. To assess effectiveness of our swap instruments, we use regression analysis performed utilizing the Hypothetical Derivative Method to compare the change in fair value of the derivative instrument designated as the hedging instrument to the change in the fair value of a similarly modeled hypothetical derivative using the same discount rate. Following our initial quantitative assessment, we may perform subsequent assessments on a qualitative basis unless facts and circumstances change such that we can no longer qualitatively assert that our hedges are highly effective.

We reflect unrealized gains or losses on our cash flow hedges as a component of accumulated other comprehensive income (loss) (AOCI). Gains and losses, once realized, are recorded as a component of AOCI and are amortized to earnings over the same period in which the underlying hedged amounts are recognized. At inception, and each reporting period, we evaluate the effectiveness of each of our hedges, and all hedges were determined to be effective.

Our derivative instruments are recorded at fair value on a gross basis. For cash flow reporting purposes, proceeds received or amounts paid upon the settlement of a derivative instrument are classified in the same manner as the related item being hedged, primarily within cash flows from operating activities.

Leases

We lease office and data center space in various locations. We determine whether a contract contains a lease at contract inception. We have lease agreements with lease and non-lease components and have elected to account for such components as a single lease component. This election is made by class of underlying asset and was elected for our leases of office space, data center space and server equipment. We initially recognize and measure contracts containing a lease and determine lease classification at commencement. Right-of-use (ROU) assets and operating lease liabilities are measured based on the estimated present value of lease payments over the lease term. In determining the present value of lease payments, we use our estimated incremental borrowing rate when the rate implicit in the lease cannot be readily determined. The estimated incremental borrowing rate is based upon information available at lease commencement including publicly available data for debt instruments. The lease term includes periods covered by options to extend when it is reasonably certain we will exercise such options as well as periods subsequent to an option to terminate the lease if it is reasonably certain we will not exercise the termination option. Operating lease costs are recognized on a straight-line basis over the lease term while finance leases result in a front-loaded expense pattern. Variable lease costs are recognized as incurred. On our balance sheets, assets and liabilities associated with operating leases are included within operating lease assets, accrued expenses and other current liabilities and operating lease liabilities. Assets and liabilities associated with finance leases are included in property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities.

Prior to January 1, 2019, rent expense under operating leases was recognized on a straight-line basis over the lease term taking into consideration rent abatements, scheduled rent increases and any lease incentives.

Foreign Currency

Our functional and reporting currency is the U.S. dollar. Assets denominated in foreign currencies are remeasured into United States (U.S.) dollars at period-end exchange rates. Foreign currency-based revenue and expense transactions are measured at transaction date exchange rates. Foreign currency remeasurement gains and losses are recorded in other income (expense), net and were \$(12.3) million, \$(7.1) million and \$(10.4) million during 2020, 2019 and 2018, respectively.

For certain of our foreign subsidiaries whose functional currency is other than the U.S. dollar, we translate revenue and expense transactions at average exchange rates. We translate assets and liabilities at period-end exchange rates and include foreign currency translation gains and losses as a component of AOCI.

Revenue Recognition

Revenue is recognized when control of the promised product or service (product) is transferred to our customers, in an amount reflecting the consideration we expect to be entitled to in exchange for such product.

We typically receive payment at the time of sale, the purpose of which is to provide our customers with a simplified and predictable way of purchasing our products. We have determined that our contracts do not include a significant financing component. Payments received in advance of our performance are recorded as deferred revenue. Revenue is recognized net of allowances for returns and applicable transaction-based taxes collected from customers.

Our products are generally sold with a right of return within our policy, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Refunds are estimated at contract inception using the expected value method based on historical refund experience and updated each reporting period as additional information becomes available and only to the extent it is probable a significant reversal of any incremental revenue will not occur. Refunds result in a reduced amount of revenue recognized over the contract term of the applicable product.

Our revenue is categorized and disaggregated as reflected in our statements of operations, as follows:

Domains. Domains revenue primarily consists of domain registrations and renewals, aftermarket domain sales, domain add-ons such as domain protection and fee surcharges paid to ICANN. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue, other than for aftermarket domain sales, is recognized ratably over the period in which the performance obligations are satisfied, which is generally over the contract term. Aftermarket domain revenue is recognized at the time when ownership of the domain is transferred to the buyer.

Hosting and presence. Hosting and presence revenue primarily consists of website hosting products, website building products, website security products and online visibility products. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue is recognized ratably over the period in which the performance obligations are satisfied, which is generally over the contract term.

Business applications. Business applications revenue primarily consists of third-party productivity applications, email accounts, email marketing tools and telephony solutions. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue is recognized ratably over the period in which the performance obligations are satisfied, which is generally over the contract term.

See Note 7 for additional information regarding our deferred revenue. See Note 18 for our revenue disaggregated by geography.

Performance Obligations

Our contracts with customers may include multiple performance obligations, including a combination of some or all of the following products: domain registrations, website hosting products, website building products, website security products and other cloud-based products. Judgment may be required in determining whether products are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. Revenue is recognized ratably over the period in which the performance obligations are satisfied, which is generally over the contract term.

For each domain registration or renewal we provide, we have one performance obligation to our customers consisting of two promises: 1) to ensure the exclusive use of the domain during the applicable registration term and 2) to ensure the domain is accessible and appropriately directed to its underlying content. After the contract term expires, unless renewed, the customer can no longer access or use the domain. We have determined these promises are not distinct within the context of our contracts as they are highly interdependent and interrelated and are inputs to a combined benefit. Accordingly, we concluded that each domain registration or renewal represents one product offering and is a single performance obligation.

We may also offer specific arrangements, such as our Websites + Marketing solution, in which we include promises to transfer multiple performance obligations in a single product offering. For such arrangements, we allocate the transaction price to each of the underlying distinct performance obligations based on its relative stand-alone selling price (SSP), as described below.

We have determined that generally each of our other products constitutes an individual product offering to our customers, and therefore have concluded that each is a single performance obligation.

For arrangements with multiple performance obligations, we allocate revenue to each distinct performance obligation based on its relative SSP. We use judgment to determine SSP based on prices charged to customers for individual products, taking into consideration factors including historical and expected discounting practices, the size, volume and term length of transactions, customer demographics, the geographic areas in which our products are sold and our overall go-to-market strategy.

Principal versus Agent Considerations

We sell our products directly to customers and also through a network of resellers. In certain cases, we act as a reseller of products provided by others. The determination of gross or net revenue recognition is reviewed on a product-by-product basis and is dependent on our determination as to whether we act as principal or agent in the transaction. Revenue associated with sales through our network of resellers, for certain aftermarket domain sales and for third-party offerings is generally recorded on a gross basis as we have determined that we control the product before transferring it to our end customers.

Assets Recognized from Contract Costs

Commissions paid to our resellers represent an incremental cost of obtaining a contract with a customer. We capitalize and amortize such amounts to cost of revenue consistent with the pattern of transfer of the product to which the asset relates. Amounts capitalized and amortized were not material during any of the periods presented.

Fees paid to various registries at the inception of a domain registration or renewal represent costs to fulfill a contract. We capitalize and amortize these prepaid domain name registry fees to cost of revenue consistent with the pattern of transfer of the product to which the asset relates. Amortization expense of such asset was $644.6 million, $614.7 million and $597.1 million during 2020, 2019 and 2018, respectively.

No other material contract costs were capitalized during any of the periods presented.

Operating Expenses

Cost of Revenue (excluding depreciation and amortization)

Costs of revenue are the direct costs we incur in connection with selling an incremental product to our customers. Substantially all cost of revenue relates to domain registration fees paid to the various domain registries, payment processing fees, third-party commissions and licensing fees for third-party productivity applications.

Technology and Development

Technology and development expenses represent the costs associated with the creation, development and distribution of our products and websites. These expenses primarily consist of personnel costs associated with the design, development, deployment, testing, operation and enhancement of our products, as well as costs associated with the data centers and systems infrastructure supporting those products, excluding depreciation expense.

Marketing and Advertising

Marketing and advertising expenses represent the costs associated with attracting and acquiring customers, primarily consisting of fees paid to third parties for marketing and advertising campaigns across a variety of channels. These expenses also include personnel costs and affiliate program commissions.

Advertising costs are expensed either as incurred, at the time a commercial initially airs or when a promotion first appears in the media. Advertising expenses were $329.6 million, $260.0 million and $231.1 million during 2020, 2019 and 2018, respectively. Prepaid advertising, which is included within prepaid expenses and other current assets, was $9.3 million and $6.3 million at December 31, 2020 and 2019, respectively.

Customer Care

Customer care expenses represent the costs to guide and service our customers, primarily consisting of personnel costs.

General and Administrative

General and administrative expenses primarily consist of personnel costs for our administrative functions, professional service fees, office rent for all locations, all employee travel expenses, acquisition-related expenses and other general costs.

Equity-Based Compensation

We have granted stock options at exercise prices equal to the fair market value of our Class A common stock on the grant date. We have granted both options and restricted stock units (RSUs) vesting solely upon the continued service of the recipient as well as performance-based awards (PSUs) with vesting based on either (i) our achievement of specified financial targets or (ii) our relative total stockholder return (TSR) as compared to a selected index of public internet companies. We recognize the accounting grant date fair value of equity-based awards as compensation expense over the required service period of each award, taking into account the probability of our achievement of associated performance targets.

We apply the straight-line attribution method to recognize equity-based compensation expense associated with awards not subject to graded vesting. For awards subject to graded vesting, we recognize expense separately for each vesting tranche. We regularly estimate when and if PSUs will be earned and record expense over the estimated service period only for awards considered probable of being earned. Any previously recognized expense is reversed in the period in which an award is determined to no longer be probable of being earned.

On the settlement date of each three-year performance period associated with our TSR-based PSU grants, and only if a participant remains a Service Provider (as defined in the 2015 Equity Incentive Plan) on such date, a participant will receive shares of our Class A common stock ranging from 0% to 200% of the originally granted PSUs based on our relative TSR as compared to the companies within the selected index. Vesting of the PSUs is subject to the TSR market condition as well as approval of the performance by our board of directors following the end of each performance period.

Equity-based awards are accounted for using the fair value method. RSUs and PSUs are measured based on the fair market value of the underlying common stock on their respective accounting grant dates. Grant date fair values for stock options are determined using the Black-Scholes option pricing model and a single option award approach. The accounting grant date for PSUs is the date on which the applicable performance criteria are approved by our board of directors (the Board). The fair value of shares issued under our employee stock purchase plan is estimated on the first day of each offering period using the Black-Scholes option pricing model.

We utilize an estimated forfeiture rate in our equity-based compensation expense calculations, which is based on an analysis of historical data. The cumulative effect of any changes to the forfeiture rate is recognized in the period in which the estimate is changed.

Key assumptions used in the determination of fair value for stock options are as follows:

Expected term. Because of the lack of sufficient historical data, we use the simple average of the vesting period and the contractual term to estimate the period the stock options are expected to be outstanding.

Expected volatility. We determine the expected stock price volatility based on the historical volatility of our Class A common stock and the historical volatilities of an industry peer group.

Expected dividend yield. We do not use a dividend rate due to our expectation of not paying dividends in the foreseeable future.

Risk-free interest rate. We base the risk-free interest rate on the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the option on the grant date.

The fair value of stock options granted was estimated using the following weighted-average assumptions:

	Year Ended December 31,		
	2020	2019	2018
Expected term (in years)	6.0	6.1	6.1
Expected volatility	32.3 %	31.2 %	31.5 %
Risk-free interest rate	0.9 %	2.2 %	2.7 %

We estimate the grant-date fair value of the TSR-based PSUs using a Monte Carlo simulation which requires assumptions for expected volatility, risk-free rate of return and dividend yield. Expected volatilities for GoDaddy and the companies within the index are derived using historical volatilities over a period equal to the length of the performance period. We base the risk-free rate of return on the yield of a zero-coupon U.S. Treasury bond with a maturity equal to the performance period, and assume a 0% dividend rate. Equity-based compensation expense for these PSUs is recognized over the requisite service period, regardless of whether the TSR market condition is satisfied.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets (DTAs) and liabilities (DTLs) for the expected future tax consequences of events included in the financial statements. Under this method, we determine DTAs and DTLs on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in the period in which the enactment date occurs.

We recognize DTAs to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

We record uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more-likely-than-not the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions meeting the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Interest and penalties related to income taxes are included in benefit (provision) for income taxes, and were not material during any of the periods presented.

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The framework for measuring fair value provides a three-tier hierarchy prioritizing inputs to valuation techniques used in measuring fair value as follows:

Level 1— Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2— Inputs, other than quoted prices for identical assets or liabilities in active markets, which are observable either directly or indirectly; and

Level 3— Unobservable inputs in which there is little or no market data requiring the reporting entity to develop its own assumptions.

We hold certain assets required to be measured at fair value on a recurring basis. These may include reverse repurchase agreements, commercial paper or other securities, which are classified as either cash and cash equivalents or short-term investments. We classify these assets within Level 1 or Level 2 because we use either quoted market prices or alternative pricing sources utilizing market observable inputs to determine their fair value. In addition, Level 2 assets and liabilities include derivative financial instruments associated with hedging activity, as further discussed in Note 10. Derivative financial instruments are measured at fair value on the contract date and are subsequently remeasured each reporting period using inputs such as spot rates, discount rates and forward rates. There are not active markets for the hedge contracts themselves; however, the inputs used to calculate the fair value of the instruments are tied to active markets.

The following tables set forth assets and liabilities measured at fair value on a recurring basis:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 98.0	$ —	$ —	$ 98.0
Total assets measured and recorded at fair value	$ 98.0	$ —	$ —	$ 98.0
Liabilities:				
Derivative liabilities	$ —	$ 216.4	$ —	$ 216.4
Total liabilities measured and recorded at fair value	$ —	$ 216.4	$ —	$ 216.4

	December 31, 2019			
Assets:	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Reverse repurchase agreements[1]	$ —	$ 70.0	$ —	$ 70.0
Commercial paper	—	102.0	—	102.0
Money market funds	444.0	—	—	444.0
Short-term investments:				
Commercial paper and other	0.7	22.9	—	23.6
Total assets measured and recorded at fair value	$ 444.7	$ 194.9	$ —	$ 639.6
Liabilities:				
Derivative liabilities	$ —	$ 93.8	$ —	$ 93.8
Total liabilities measured and recorded at fair value	$ —	$ 93.8	$ —	$ 93.8

(1) Reverse repurchase agreements include a $70.0 million repurchase agreement with Morgan Stanley, callable with 31 days notice.

We have no other material assets or liabilities measured at fair value on a recurring basis.

Business Combinations

We include the results of operations of acquired businesses as of the respective acquisition dates. Purchase price is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values, with the excess recorded as goodwill. If applicable, we estimate the fair value of contingent consideration payments in determining the purchase price. Measurement period adjustments to provisional purchase price allocations are recognized in the period in which they are determined, with the effect on earnings of changes in depreciation, amortization or other income resulting from such changes calculated as if the accounting had been completed at the acquisition date. Contingent consideration is adjusted to fair value in subsequent periods as an increase or decrease in general and administrative expenses. Acquisition-related costs are expensed as incurred.

Concentrations of Risks

Our financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents and short-term investments. Although we deposit cash with multiple banks, these deposits, including those held in foreign branches of global banks, may exceed the amount of insurance provided on such deposits. These deposits may generally be redeemed upon demand and bear minimal risk.

No single customer represented over 10% of our total revenue for any period presented.

In order to reduce the risk of downtime of the products we provide, we have established data centers in various geographic regions. We have internal procedures to restore products in the event of a service disruption or disaster at any of our data center facilities. We serve our customers and users from data center facilities operated either by us or third parties, which are most significantly located in Arizona, California, Virginia, France, the Netherlands and Singapore. Even with these procedures for disaster recovery in place, the availability of our products could be significantly interrupted during the implementation of restoration procedures.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued new guidance requiring all expected credit losses for financial instruments held at the reporting date to be measured based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial instruments measured at amortized cost and also applies to some off-balance sheet credit exposures. Our adoption of this guidance on a modified retrospective basis on January 1, 2020 did not have a material impact as credit losses have not been, and are not expected to be, significant based on historical collection trends, the financial condition of payment partners and external market factors.

In August 2018, the FASB issued new guidance to modify or eliminate certain fair value disclosures and require additional disclosures for Level 3 measurements. Our adoption of this guidance on January 1, 2020 did not have a material impact.

In August 2018, the FASB issued new guidance aligning the accounting for implementation costs incurred in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We adopted this guidance on a prospective basis on January 1, 2020. Amounts capitalized have not been material.

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes primarily by eliminating certain exceptions allowable under the existing guidance related to the approach for intraperiod tax allocations, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. Our adoption of this guidance on January 1, 2020 did not have a material impact.

In March 2020, the FASB issued guidance providing temporary optional expedients and exceptions to ease the financial reporting burden of the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The guidance is applicable to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met and to other derivative instruments if there is a change in the interest rate used for discounting, margining and contract price alignment. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We continue to evaluate our contractual arrangements and hedging relationships that reference LIBOR.

3. Business Acquisitions

2020 Acquisitions

In August 2020, we completed the acquisition of the registry operations of Neustar Inc. for total purchase consideration consisting of $217.2 million in cash, of which $1.3 million will be paid in 2021, and the settlement of $19.4 million in pre-existing contractual relationships related to prepaid domain name registry fees. This acquisition was completed to expand our domains offerings and capabilities on an established registry technology platform.

During 2020, we completed three other acquisitions for aggregate purchase consideration of $219.2 million in cash, of which $10.2 million is payable in future periods upon expiration of the respective contractual holdback periods.

The aggregate purchase price of these four acquisitions was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of each acquisition date, with the excess recorded to goodwill. The recognition of goodwill, of which approximately $92.0 million is deductible for income tax purposes, was made based on strategic benefits we expect to realize from the acquisitions. During the measurement periods, which will not exceed one year from each closing, we will continue to obtain information, primarily related to income taxes, to assist us in finalizing the acquisition date fair values. Any qualifying changes to our preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill.

The following table summarizes the estimated acquisition date fair values of the aggregate assets acquired and liabilities assumed:

Total purchase consideration	$	455.8
Fair value of assets acquired and liabilities assumed:		
Cash and cash equivalents		4.5
Domain portfolio indefinite-lived intangible assets		88.5
Contractual-based indefinite-lived intangible assets		67.0
Finite-lived intangible assets		96.2
Deferred revenue		(17.1)
Other assets and liabilities, net		(20.6)
Total assets acquired, net of liabilities assumed		218.5
Goodwill	$	237.3

The identified intangible assets, which were valued using income-based approaches, primarily consist of an indefinite-lived domain portfolio, contractual-based assets, developed technology and customer relationships. The acquired finite-lived intangible assets have a total weighted-average amortization period of 5.5 years.

Pro forma financial information is not presented because these acquisitions were not material to our financial statements, either individually or in the aggregate.

2018 Acquisition of Main Street Hub

In July 2018, we completed the acquisition of Main Street Hub, a social media and reputation management company, for total purchase consideration of $182.0 million, including contingent earn-out payments of up to a maximum of $50.0 million subject to the achievement of certain revenue and operational milestones. The acquisition was completed to further our professional services strategy for our customers. The contingent consideration was recorded at an estimated acquisition date fair value of $43.4 million. The acquisition was not material to our results of operations.

The purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. The recognition of goodwill, none of which is deductible for income tax purposes, was made based on the strategic and synergistic benefits we expect to realize from the acquisition.

The following table summarizes the final estimated acquisition date fair values of the assets acquired and liabilities assumed:

Total purchase consideration	$	182.0
Fair value of assets acquired and liabilities assumed:		
Cash and cash equivalents		8.0
Intangible assets, net		35.7
Other assets and liabilities, net		3.2
Total assets acquired, net of liabilities assumed		46.9
Goodwill	$	135.1

Identified finite-lived intangible assets, which were valued using income-based approaches, consist primarily of developed technology and customer relationships. The acquired finite-lived intangible assets have a total weighted-average amortization period of 4.3 years.

Other Acquisition-Related Payments

During 2020, 2019 and 2018, we made $6.8 million, $88.0 million and $21.7 million of aggregate holdback and contingent consideration payments related to business acquisitions, respectively.

4. Goodwill and Intangible Assets

The following table summarizes changes in our goodwill balance:

Balance at December 31, 2018	$	2,948.0
Goodwill related to 2019 acquisitions		20.9
Impact of foreign currency translation		7.6
Balance at December 31, 2019		2,976.5
Goodwill related to 2020 acquisitions		237.3
Impact of foreign currency translation		61.3
Balance at December 31, 2020	$	3,275.1

Intangible assets, net are summarized as follows:

	December 31, 2020					
	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
Indefinite-lived intangible assets:						
Trade names and branding	$	445.0		n/a	$	445.0
Domain portfolio		250.3		n/a		250.3
Contractual-based assets		67.0		n/a		67.0
Finite-lived intangible assets:						
Customer-related		857.0	$	(534.7)		322.3
Developed technology		188.1		(90.7)		97.4
Trade names and other		106.9		(33.8)		73.1
	$	1,914.3	$	(659.2)	$	1,255.1

	December 31, 2019					
	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
Indefinite-lived intangible assets:						
Trade names and branding	$	445.0		n/a	$	445.0
Domain portfolio		148.1		n/a		148.1
Finite-lived intangible assets:						
Customer-related		838.4	$	(475.6)		362.8
Developed technology		151.5		(67.3)		84.2
Trade names and other		81.4		(23.8)		57.6
	$	1,664.4	$	(566.7)	$	1,097.7

In December 2020, we completed the purchase of a domain portfolio for $17.0 million in cash, of which $2.0 million will be paid in 2021.

Amortization expense was $127.1 million, $119.5 million and $136.7 million during 2020, 2019 and 2018, respectively. As of December 31, 2020, the weighted-average remaining amortization period for amortizable intangible assets was 62 months for customer-related intangible assets, 39 months for developed technology and 79 months for trade names and other, and was 60 months in total.

Based on the balance of finite-lived intangible assets at December 31, 2020, expected future amortization expense is as follows:

Year Ending December 31:	
2021	$ 111.5
2022	108.3
2023	89.4
2024	76.3
2025	72.4
Thereafter	34.9
	$ 492.8

5. Stockholders' Equity

Certificate of Incorporation

Our amended and restated certificate of incorporation authorized the issuance of up to 1,000,000 shares of Class A common stock, up to 500,000 shares of Class B common stock and up to 50,000 shares of undesignated preferred stock, each having a par value of $0.001 per share. Shares of Class A common stock have both economic and voting rights. Shares of Class B common stock have no economic rights, but do have voting rights. Holders of Class A and Class B common stock are entitled to one vote per share and, except as otherwise required, will vote together as a single class on all matters on which stockholders generally are entitled to vote.

We are required to, at all times, maintain (i) a one-to-one ratio between the number of shares of Class A common stock outstanding and the number of LLC Units held by us and (ii) a one-to-one ratio between the number of shares of Class B common stock outstanding and the number of LLC Units held by Desert Newco's other owners. Shares of Class B common stock are transferable only together with an equal number of LLC Units if we, at the election of an owner, exchange LLC Units for shares of Class A common stock.

Share Repurchase Programs

Our Board has approved certain share repurchase programs allowing us to purchase shares of our Class A common stock from time to time in open market purchases, block transactions and privately negotiated transactions, in accordance with applicable federal securities laws. The programs have no time limits, do not obligate us to make any repurchases and may be modified, suspended or terminated by us at any time without prior notice. The amount and timing of repurchases are subject to a variety of factors including liquidity, share price, market conditions and legal requirements. Repurchased shares are immediately retired and returned to an unissued status. We have elected to record the excess of the repurchase price over par value as a charge to retained earnings (accumulated deficit).

As of December 31, 2020, we had the following approved share repurchase programs:

Board Approval Date	Total Authorized Amount[1] ($)	Authorized Amount Remaining ($)
May 2020	500.0	500.0
October 2019	500.0	—
November 2018	500.0	—

(1) The authorized amounts exclude commissions applicable to any repurchases.

Pursuant to these programs, we made the following open market repurchases of our Class A common stock:

Year Ended December 31,	Number of Shares Repurchased (#)	Aggregate Purchase Price[1] ($)
2020	9,986	541.7
2019	7,125	458.6
2018	—	—

(1) The aggregate purchase price includes commissions paid in connection with the repurchases.

6. Equity-Based Compensation Plans

Equity Plans

On March 31, 2015, we adopted the 2015 Equity Incentive Plan (the 2015 Plan). On January 1, 2020, an additional 6,794 shares of our Class A common stock were reserved for issuance under the automatic increase provisions of the 2015 Plan, and as of December 31, 2020, 27,340 shares were available for issuance as future awards under the plan.

On March 31, 2015, we adopted the 2015 Employee Stock Purchase Plan (the ESPP). On January 1, 2020, an additional 1,000 shares of our Class A common stock were reserved for issuance under the automatic increase provisions of the ESPP, and as of December 31, 2020, 4,081 shares were available for issuance under the plan.

Equity Plan Activity

The following table summarizes stock option activity:

	Number of Shares of Class A Common Stock (#)	Weighted-Average Grant-Date Fair Value ($)	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ($)
Outstanding at December 31, 2017	13,460		18.63		
Granted	1,208	22.19	61.49		
Exercised	(4,779)		14.08		246.4
Forfeited	(362)		34.05		
Outstanding at December 31, 2018	9,527		25.77		
Granted	1,401	24.91	71.74		
Exercised	(3,976)		17.78		213.8
Forfeited	(648)		54.43		
Outstanding at December 31, 2019	6,304		38.08		
Granted	154	22.33	68.05		
Exercised	(2,613)		29.71		121.0
Forfeited	(417)		62.82		
Outstanding at December 31, 2020	3,428		42.79	6.0	137.6
Vested at December 31, 2020	2,458		33.90	5.2	120.6

The following table summarizes stock award activity:

	Number of Shares of Class A Common Stock (#)
Outstanding at December 31, 2017[(1)]	4,199
Granted	3,152
Vested	(1,545)
Forfeited	(450)
Outstanding at December 31, 2018[(1)]	5,356
Granted	3,057
Vested	(2,187)
Forfeited	(986)
Outstanding at December 31, 2019[(1)]	5,240
Granted	4,157
Vested	(2,368)
Forfeited	(896)
Outstanding at December 31, 2020	6,133

(1) Includes financial-based PSUs for which performance targets have not yet been established, and which are not yet considered granted for accounting purposes. The balance of outstanding awards is comprised of the following:

	Number of Shares of Class A Common Stock (#)	Weighted Average Fair Value Per Share ($)
RSUs	3,952	53.77
Financial-based PSUs granted for accounting purposes	505	63.18
Financial-based PSUs not yet granted for accounting purposes	899	N/A
Outstanding at December 31, 2018	5,356	
RSUs	4,247	65.12
Financial-based PSUs granted for accounting purposes	401	73.28
Financial-based PSUs not yet granted for accounting purposes	592	N/A
Outstanding at December 31, 2019	5,240	
RSUs	5,356	70.54
TSR-based RSUs	349	106.14
Financial-based PSUs granted for accounting purposes	223	66.97
Financial-based PSUs not yet granted for accounting purposes	205	N/A
Outstanding at December 31, 2020	6,133	

At December 31, 2020, total unrecognized compensation expense related to non-vested options and awards was $17.0 million and $284.2 million, respectively, with expected remaining weighted-average recognition periods of approximately 2.1 years and 2.5 years, respectively. Such amounts exclude PSUs not yet considered granted for accounting purposes.

2019 Error Correction

During 2019, we reversed $15.6 million of equity-based compensation expense as we determined that we had previously recognized such expense related to certain PSUs prior to the establishment of a grant date for accounting purposes. We determined the amounts related to the prior periods were immaterial considering both quantitative and qualitative factors.

7. Deferred Revenue

Deferred revenue consisted of the following:

	December 31, 2020	December 31, 2019
Current:		
Domains	$ 810.7	$ 752.7
Hosting and presence	574.8	526.7
Business applications	325.8	265.0
	$ 1,711.3	$ 1,544.4
Noncurrent:		
Domains	$ 410.4	$ 382.2
Hosting and presence	218.1	187.2
Business applications	96.6	85.0
	$ 725.1	$ 654.4

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, offset by $1,734.5 million of revenue recognized during 2020 that was included in the deferred revenue balance as of December 31, 2019. The deferred revenue balance as of December 31, 2020 represents our aggregate remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied, and is expected to be recognized as revenue as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
Domains	$ 810.7	$ 218.1	$ 84.2	$ 46.5	$ 25.5	$ 36.1	$ 1,221.1
Hosting and presence	574.8	141.6	40.3	15.5	6.1	14.6	792.9
Business applications	325.8	68.8	21.1	3.7	1.5	1.5	422.4
	$ 1,711.3	$ 428.5	$ 145.6	$ 65.7	$ 33.1	$ 52.2	$ 2,436.4

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2020	December 31, 2019
Derivative liabilities	$ 216.4	$ 93.8
Accrued payroll and employee benefits	114.8	117.0
Current portion of operating lease liabilities	41.5	39.5
Tax-related accruals	38.4	30.7
Accrued marketing and advertising	29.9	14.7
Accrued legal and professional	24.4	28.7
Accrued acquisition-related expenses and acquisition consideration payable	9.4	8.3
Other	52.6	33.3
	$ 527.4	$ 366.0

9. Long-Term Debt

Long-term debt consisted of the following:

		December 31,	
	Maturity Date	2020	2019
2024 Term Loans (effective interest rate of 2.8% at December 31, 2020 and 4.7% at December 31, 2019)	February 15, 2024	$ 1,807.4	$ 1,832.3
2027 Term Loans (effective interest rate of 3.0% at December 31, 2020)	August 10, 2027	746.2	—
Senior Notes (effective interest rate of 5.4% at December 31, 2020 and December 31, 2019)	December 1, 2027	600.0	600.0
Revolver	February 15, 2024	—	—
Total		3,153.6	2,432.3
Less: unamortized original issue discount on long-term debt(1)		(13.5)	(13.2)
Less: unamortized debt issuance costs(1)		(25.7)	(23.9)
Less: current portion of long-term debt		(24.3)	(18.4)
		$ 3,090.1	$ 2,376.8

(1) Original issue discount and debt issuance costs amortized to interest expense over the life of the related debt instruments using the interest method.

Credit Facility

Our secured credit agreement (the Credit Facility) includes our previously-issued term loans (the 2024 Term Loans), a new tranche of term loans issued in August 2020 (the 2027 Term Loans) and a revolving credit facility (the Revolver).

As further described below, in June 2019 we issued 5.25% unsecured senior notes (the Senior Notes) in an aggregate principal amount of $600.0 million, the proceeds of which were used to prepay $600.0 million of the outstanding principal balance of the 2024 Term Loans. The partial prepayment was made in accordance with the contractual terms of the Credit Facility and the terms of the remaining Term Loans were not modified. As such, the prepayment was considered a partial extinguishment and we wrote off a proportionate amount of the unamortized debt issuance costs and original issue discount, recognizing a $14.5 million loss on debt extinguishment.

Concurrent with the issuance of the Senior Notes, we amended the Revolver to increase its borrowing capacity to $600.0 million and reduce its interest rate margins, as described below. In addition, the amendment provided that compliance relating to our first lien secured leverage ratio occurs upon our usage exceeding 20% of the Revolver, a reduction from the previous level of 35%. In connection with this amendment, we capitalized aggregate fees of $3.4 million as debt issuance costs.

In October 2019, we refinanced the 2024 Term Loans to lower the interest rate margins by 0.25%. The refinanced loans were issued at a 0.125% discount at original issue, with no changes made to the maturity date or any other terms of the loans. Fees incurred in connection with the refinancing were not material.

In August 2020, we amended the Credit Facility to allow for the issuance of the 2027 Term Loans in an aggregate principal amount of $750.0 million. The 2027 Term Loans were issued at a 0.5% discount on the face of the note at original issue for net proceeds of $746.3 million, which were used to partially fund the payments associated with the settlement of our obligations under certain tax receivable agreements (TRAs), as discussed in Note 16. In conjunction with the issuance of these loans, we recognized an additional $6.5 million in debt issuance costs.

The 2024 Term Loans bear interest at a rate equal to, at our option, either (a) LIBOR plus 1.75% per annum or (b) 0.75% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%. A portion of these loans are hedged by an interest rate swap, as discussed in Note 10.

The 2027 Term Loans bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.50% per annum or (b) 1.5% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%. These loans are hedged by an interest rate swap, as discussed in Note 10.

The Revolver bears interest at a rate equal to, at our option, either (a) LIBOR plus a margin ranging from 1.25% to 1.75% per annum or (b) the higher of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) the one-month LIBOR rate plus 1.0% plus a margin ranging from 0.25% to 0.75% per annum, with the margins determined based on our first lien secured leverage ratio. The Revolver also contains a financial covenant requiring us to maintain a leverage ratio of 5.75:1.00 when our usage exceeds 20.0% of the maximum capacity. This ratio is calculated as the ratio of first lien secured debt less cash and cash equivalents to consolidated EBITDA (as defined in the Credit Facility).

All LIBOR-based interest rates under the Credit Facility are subject to a 0.0% floor on LIBOR.

Principal payments comprising 0.25% of the initial principal balances of the term loans are due quarterly. In addition to paying interest on the outstanding principal under the term loans, we are required to pay a commitment fee ranging from 0.125% to 0.375% per annum for any unutilized commitments under the Revolver, with the applicable fee determined based on our first lien secured leverage ratio.

Significant terms of the Credit Facility are as follows:

- we are required to prepay outstanding term loans, subject to certain exceptions, with percentages of excess cash flow, proceeds of non-ordinary course asset sales or dispositions of property, insurance or condemnation proceeds and proceeds from the incurrence of certain debt;
- we are restricted by certain covenants, including, among other things, limitations on our ability to incur additional indebtedness, sell assets, incur additional liens, make certain fundamental changes, pay distributions and make certain investments;
- we are required to maintain certain financial ratios; and
- all obligations are unconditionally guaranteed by all of our material domestic subsidiaries and is secured by substantially all of our and such subsidiaries real and personal property.

At December 31, 2020, we had $600.0 million available for borrowing under the Revolver and were not in violation of any covenants of the Credit Facility.

Senior Notes

In June 2019, we issued the Senior Notes in an aggregate principal amount of $600.0 million in a private placement offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Senior Notes were issued at par and bear interest at 5.25% per annum, with interest payable semiannually on June 1 and December 1, commencing on December 1, 2019. The aggregate principal amount outstanding is payable at maturity on December 1, 2027, subject to earlier repurchase or optional redemption as described below.

As described above, the proceeds from the issuance of the Senior Notes were used to prepay $600.0 million in aggregate principal amount of our existing Term Loans. In conjunction with the issuance of the Senior Notes, we capitalized $9.7 million in debt issuance costs.

The Senior Notes are redeemable at our option, in whole or in part, at any time prior to June 1, 2022 at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, plus an applicable premium equal to the greater of 1.0% and the remaining scheduled payments of interest discounted to a present value amount. In the event of an equity offering prior to June 1, 2022, the Senior Notes may be partially redeemed with the net cash proceeds of such offering at our option at an amount equal to 105.25% of the principal amount, plus accrued and unpaid interest. On and after June 1, 2022, we may redeem the Senior Notes, in whole or in part, at an amount equal to 102.625% of the principal amount, decreasing to 101.75% at June 1, 2023, 100.875% at June 1, 2024 and 100.0% thereafter, plus accrued and unpaid interest. Upon the occurrence of a change of control, we are required to offer to repurchase the Senior Notes from the holders at a price equal to 101.0% of the principal amount, plus accrued and unpaid interest.

Significant terms of the Senior Notes are as follows:

- they are subordinated to our existing secured debt, including the Credit Facility, and any future secured debt we may issue;
- all obligations are unconditionally guaranteed by all of our material domestic subsidiaries;
- we are restricted by certain covenants, including limitations on our ability to incur additional indebtedness, incur additional liens, consolidate with or merge with or into another entity and sell substantially all of our assets; and
- certain covenants may be suspended if we are able to obtain and maintain investment grade ratings and no event of default has occurred.

At December 31, 2020, we were not in violation of any covenants of the Senior Notes.

Fair Value

The estimated fair values of the 2024 Term Loans, 2027 Term Loans and the Senior Notes were $1,804.0 million, $750.4 million and $633.8 million, respectively, at December 31, 2020 based on observable market prices for these loans, which are traded in less active markets and therefore classified as Level 2 fair value measurements.

Future Debt Maturities

Aggregate principal payments, exclusive of any unamortized original issue discount and debt issuance costs, due on long-term debt as of December 31, 2020 are as follows:

Year Ending December 31:	
2021	$ 32.5
2022	32.5
2023	32.5
2024	1,740.0
2025	7.5
Thereafter	1,308.6
	$ 3,153.6

10. Derivatives and Hedging

We are exposed to changes in foreign currency exchange rates, primarily relating to intercompany debt and certain forecasted sales transactions denominated in currencies other than the U.S. dollar, as well as to changes in interest rates as a result of our variable-rate debt. Consequently, we use derivative financial instruments to manage and mitigate such risk. We do not enter into derivative transactions for speculative or trading purposes.

We utilize a variety of derivative instruments, all of which are designated as cash flow hedges, including:

- foreign exchange forward contracts to hedge certain forecasted sales transactions denominated in foreign currency;
- a cross-currency swap arrangement used to manage variability due to movements in foreign currency exchange rates related to a Euro-denominated intercompany loan; and
- pay-fixed rate, receive-floating rate interest rate swap arrangements to effectively convert portions of our variable-rate debt to fixed.

The following table summarizes our outstanding derivative instruments on a gross basis:

	Notional Amount		Fair Value of Derivative Assets(2)		Fair Value of Derivative Liabilities(2)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Derivative Instrument:						
Level 2:						
Foreign exchange forward contracts	$ 276.2	$ 138.9	$ —	$ —	$ 15.8	$ 3.3
Cross-currency swap(1)	1,461.9	1,355.8	—	—	167.2	64.1
Interest rate swaps	2,022.0	1,289.0	2.0	—	33.4	26.4
Total hedges	$ 3,760.1	$ 2,783.7	$ 2.0	$ —	$ 216.4	$ 93.8

(1) The notional values of the cross-currency swap have been translated from Euros to U.S. dollars at the foreign currency rates in effect at December 31, 2020 and 2019 of approximately 1.22 and 1.12, respectively.
(2) In our balance sheets, all derivative assets are recorded within prepaid expenses and other current assets and all derivative liabilities are recorded within accrued expenses and other current liabilities.

The following table summarizes the effect of our designated cash flow hedging derivative instruments on AOCI:

	Unrealized Gains (Losses) Recognized in Other Comprehensive Income (Loss)		
	Year Ended December 31,		
	2020	2019	2018
Derivative Instrument:			
Foreign exchange forward contracts(1)	$ (17.6)	$ (2.7)	$ 8.9
Cross-currency swap	16.2	25.8	(3.5)
Interest rate swaps	(4.9)	(25.0)	17.7
Total hedges	$ (6.3)	$ (1.9)	$ 23.1

(1) Amounts include gains and losses realized upon contract settlement but not yet recognized into earnings from AOCI.

The following table summarizes the locations and amounts of gains (losses) recognized within earnings related to our cash flow hedging relationships:

	Year Ended December 31,								
	2020			2019			2018		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
Foreign exchange forward contracts:									
Reclassified from AOCI into income	$ 2.7	$ —	$ —	$ 3.2	$ —	$ —	$ (2.1)	$ —	$ —
Cross-currency swap:									
Reclassified from AOCI into income (1)	—	28.9	(120.4)	—	30.1	28.1	—	28.3	65.9
Interest rate swaps:									
Reclassified from AOCI into income	—	(25.6)	—	—	(2.6)	—	—	(6.5)	—
Total hedges	$ 2.7	$ 3.3	$ (120.4)	$ 3.2	$ 27.5	$ 28.1	$ (2.1)	$ 21.8	$ 65.9

(1) The amounts reflected in other income (expense), net include $119.3 million, $(28.7) million and $(67.3) million reclassified from AOCI to offset the earnings impact of the remeasurement of the Euro-denominated intercompany loan hedged by the cross-currency swap during 2020, 2019 and 2018, respectively.

As of December 31, 2020, we estimate that approximately $9.8 million of net deferred losses related to our cash flow hedges will be recognized in earnings over the next 12 months. No amounts were excluded from our effectiveness testing during any of the periods presented.

Risk Management Strategies

Foreign Exchange Forward Contracts

From time-to-time, we may enter into foreign exchange forward contracts with financial institutions to hedge certain forecasted sales transactions denominated in foreign currency. We designate these forward contracts as cash flow hedges, which are recognized as either assets or liabilities at fair value. At December 31, 2020, all such contracts had maturities of 18 months or less.

Cross-Currency Swap Contract

In April 2017, in order to manage variability due to movements in foreign currency rates related to a Euro-denominated intercompany loan, we entered into a five-year cross-currency swap arrangement. The cross-currency swap, which matures on April 3, 2022, had an amortizing notional amount of €1,243.3 million at inception (approximately $1,325.4 million). It converts the 3.00% fixed rate Euro-denominated interest and principal receipts on the intercompany loan into fixed U.S. dollar interest and principal receipts at a rate of 5.44%. Pursuant to the contract, the Euro notional value will be exchanged for the U.S. dollar notional value at maturity. The cross-currency swap has been designated as a cash flow hedge. Accordingly, it is recognized as an asset or liability at fair value and the unrealized gains and losses on the contract are included in gain (loss) on swaps and foreign currency hedging, net within AOCI. Gains and losses are reclassified to interest income or expense over the period the hedged loan affects earnings. As such, amounts recorded in other comprehensive income (loss) (OCI) will be recognized in earnings within or against interest expense when the hedged interest payment is accrued each month. In addition, an amount is reclassified from AOCI to other income (expense), net each reporting period, to offset the earnings impact of the hedged instrument.

Interest Rate Swap Contracts

In April 2017, we entered into a five-year pay-fixed rate, receive-floating rate interest rate swap arrangement to effectively convert a portion of the variable-rate debt to fixed. This arrangement, which matures on April 3, 2022, had an amortizing notional amount of $1,325.4 million at inception and swaps the variable interest rate on our LIBOR-based borrowings for a fixed rate of 5.44%.

In August 2020, in conjunction with the issuance of the 2027 Term Loans discussed in Note 9, we entered into seven-year pay-fixed rate, receive-floating rate interest rate swap arrangements to effectively convert the variable one-month LIBOR interest rate on the 2027 Term Loans borrowings to a fixed rate of 0.705%. These interest rate swaps, which mature on August 10, 2027, had an aggregate notional amount of $750.0 million at inception.

The objective of these arrangements, which are designated as cash flow hedges and recognized as assets or liabilities at fair value, is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged. The unrealized gains and losses on the contracts are included in gain (loss) on swaps and foreign currency hedging, net within AOCI, and will be recognized in earnings within or against interest expense when the hedged interest payments are accrued each month.

11. Leases

Our operating leases primarily consist of office and data center space expiring at various dates through November 2036. Certain leases include options to renew or terminate at our discretion. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2020, operating leases have a remaining weighted average lease term of 7.9 years and our operating lease liabilities were measured using a weighted average discount rate of 5.0%. Finance leases are immaterial.

The components of operating lease expense were as follows:

	Year Ended December 31,	
	2020	2019
Operating lease costs	$ 53.2	$ 55.6
Variable lease costs	9.2	8.8
Sublease income	(3.0)	(3.0)
Net lease costs	$ 59.4	$ 61.4

Total rent expense related to operating leases was $38.3 million during 2018.

We recognized an impairment of our operating lease assets during 2020, as discussed in Note 13.

Maturities of operating lease liabilities as of December 31, 2020 were as follows:

Year Ending December 31:	
2021	$ 50.8
2022	36.4
2023	26.8
2024	26.7
2025	23.5
Thereafter	89.4
Total lease payments	253.6
Less: imputed interest	(45.4)
	$ 208.2

12. Commitments and Contingencies

Service Agreements

We have entered into long-term agreements with certain vendors to provide for software and equipment maintenance, specified levels of bandwidth and other services. Under these arrangements, we are required to make periodic payments. Future minimum obligations under these non-cancelable agreements with initial terms in excess of one year at December 31, 2020 are as follows:

Year Ending December 31:	
2021	$ 83.3
2022	74.5
2023	38.0
2024	11.7
2025	0.6
Thereafter	0.1
	$ 208.2

Litigation

From time-to-time, we are a party to litigation and subject to claims incident to the ordinary course of business, including intellectual property claims, putative and certified class actions, commercial and consumer protection claims, labor and employment claims, breach of contract claims and other asserted and unasserted claims. We investigate claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable.

On June 13, 2019, we entered into an agreement in principle to settle the class action complaint, *Jason Bennett v. GoDaddy.com* (Case No. 2:16-cv-03908-DLR) (D. Ariz.), filed on June 20, 2016. The complaint alleges violation of the Telephone Consumer Protection Act of 1991 (the TCPA). On September 23, 2019, the parties fully executed a written settlement agreement. On December 16, 2019, we amended the settlement agreement to include two additional putative class action cases, which also alleged violations of the TCPA: *John Herrick v. GoDaddy.com, LLC* (Case No. 2:16-cv-00254 (D. Ariz.), appeal pending 18-16048 (9th Cir.)) and *Susan Drazen v. GoDaddy.com, LLC* (Case No 19-cv-00563) (S.D. Ala.). In 2019, we recorded an $18.1 million charge to general and administrative expense, representing our original estimated loss provision for this settlement.

Under the terms of the final settlement agreement, we made available a total of up to $35.0 million to pay: (i) class members, at their election, either a cash settlement or a credit to be used for future purchases of products from us; (ii) an incentive payment to the class representatives; (iii) notice and administration costs in connection with the settlement; and (iv) attorneys' fees to legal counsel representing the class.

On April 22, 2020, the parties filed statements in response to a request from the S.D. Ala. Court (the Court) to refine the class definition, resulting in a reduction in the total number of class members from the original estimated class. Accordingly, we recorded a $2.9 million reduction of our estimated loss provision to general and administrative expense during the three months ended March 31, 2020.

On May 14, 2020, the Court granted approval of the plaintiffs' unopposed motion for preliminary certification of the settlement class, subject to the parties' execution of an amended settlement agreement to remove John Herrick as a class representative. The parties executed such amendment on May 26, 2020, and on June 9, 2020, the Court granted preliminary approval of the final settlement agreement. The Court's order also set October 7, 2020 as the deadline for class members to submit claims and December 14, 2020 as the hearing date regarding final approval of the settlement.

On September 1, 2020, the Court issued an amended order reducing the attorneys' fees to be paid to legal counsel representing the class. Additionally, the actual number of claims made by class members through the October 7, 2020 deadline was lower than our original estimates. Based primarily on these two factors, we recorded a $4.8 million reduction of our estimated loss provision to general and administrative expense during the three months ended September 30, 2020.

On December 23, 2020, the Court issued a final judgment and order approving the class settlement, which further reduced the attorneys' fees to be paid to legal counsel representing the class and denied plaintiffs' request for an incentive payment. Additionally, the actual notice and administration costs associated with the settlement were lower than originally estimated. On January 19, 2021, a single objector to the settlement filed a notice of appeal to the 11th Circuit Court of Appeals. As a result of these developments, we recorded a $2.3 million reduction to general and administrative expense during the three months ended December 31, 2020, lowering our estimated loss provision for this settlement to $8.1 million at December 31, 2020. The timing of the payments to be made under the final settlement agreement is pending resolution of the appeal.

We have denied and continue to deny the allegations in the complaint. Nothing in the final settlement agreement shall be deemed to assign or reflect any admission of fault, wrongdoing or liability, or of the appropriateness of a class action in such litigation. We received a full release from the settlement class (other than from those class members who timely elected to opt out of the settlement) concerning the claims asserted, or that could have been asserted, with respect to the claims released in the final settlement agreement. Our legal fees associated with this matter have been recorded to general and administrative expense as incurred and were not material.

The amounts currently accrued for other matters are not material. While the results of such normal course claims and legal proceedings, regardless of the underlying nature of the claims, cannot be predicted with certainty, management does not believe, based on current knowledge and the likely timing of resolution of various matters, any additional reasonably possible potential losses above the amounts accrued for such matters would be material. Regardless of the outcome, claims and legal proceedings may have an adverse effect on us because of defense costs, diversion of management resources and other factors. We may also receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. The final outcome of any current or future claims or lawsuits could adversely affect our business, financial condition or results of operations.

Indemnifications

In the normal course of business, we have made indemnities under which we may be required to make payments in relation to certain transactions, including to our directors and officers to the maximum extent permitted under applicable state laws and indemnifications related to certain lease agreements. In addition, certain advertiser and reseller partner agreements contain indemnification provisions, which are generally consistent with those prevalent in the industry. We have not incurred material obligations under indemnification provisions historically, and do not expect to incur material obligations in the future. Accordingly, we have not recorded any liabilities related to such indemnities as of December 31, 2020 and 2019.

We include service level commitments to our customers guaranteeing certain levels of uptime reliability and performance for our hosting and premium DNS products. These guarantees permit those customers to receive credits in the event we fail to meet those levels, with exceptions for certain service interruptions including but not limited to periodic maintenance. We have not incurred any material costs as a result of such commitments during any of the periods presented, and have not recorded any liabilities related to such obligations as of December 31, 2020 and 2019.

Indirect Taxes

We are subject to indirect taxation in some, but not all, of the various states and foreign jurisdictions in which we conduct business. Laws and regulations attempting to subject communications and commerce conducted over the Internet to various indirect taxes are becoming more prevalent, both in the U.S. and internationally, and may impose additional burdens on us in the future. Increased regulation could negatively affect our business directly, as well as the businesses of our customers. Taxing authorities may impose indirect taxes on the Internet-related revenue we generate based on regulations currently being applied to similar, but not directly comparable, industries. There are many transactions and calculations where the ultimate indirect tax determination is uncertain. In addition, domestic and international indirect taxation laws are complex and subject to change. We may be audited in the future, which could result in changes to our indirect tax estimates. We continually evaluate those jurisdictions in which nexus exists and believe we maintain adequate indirect tax accruals.

As of December 31, 2020 and 2019, our accrual for estimated indirect tax liabilities was $10.1 million and $9.4 million, respectively, reflecting our best estimate of the probable liability based on an analysis of our business activities, revenues subject to indirect taxes and applicable regulations. Although we believe our indirect tax estimates and associated liabilities are reasonable, the final determination of indirect tax audits, litigation or settlements could be materially different than the amounts established for indirect tax contingencies.

13. Restructuring Charges

In June 2020, we announced a restructuring plan related to our outbound sales and operations and recorded $43.6 million of pre-tax restructuring charges during 2020. The aggregate charges included: (i) $14.6 million in severance and related benefits to be paid to, or on behalf of, the impacted employees, as well as professional fees incurred in connection with the restructuring; (ii) a $27.9 million impairment of operating lease assets associated with the closure of our leased offices in Austin, Texas; and (iii) $1.1 million of accelerated depreciation and operating lease assets amortization related to the office closures. We do not expect to record any additional charges related to the restructuring plan.

Cash payments of $14.4 million related to the restructuring were made during 2020, and no material amounts remain as of December 31, 2020.

14. Defined Contribution Plan

We maintain defined contribution 401(k) plans covering eligible U.S. employees, who may contribute up to 100% of their compensation, subject to limitations established by the Internal Revenue Code. We match employee contributions on a discretionary basis. Expense for our matching contributions was $14.6 million, $14.7 million and $13.5 million during 2020, 2019 and 2018, respectively.

We maintain defined contribution benefit plans covering eligible foreign employees. Expense related to such plans was not material in any period presented.

15. Income Taxes

Overview

We are subject to U.S. federal, state and foreign income taxes with respect to our allocable share of any taxable income or loss of Desert Newco, as well as any stand-alone income or loss we generate. Desert Newco is treated as a partnership for U.S. income tax purposes, and for most applicable state and local income tax purposes, and generally does not pay income taxes in most jurisdictions. Instead, Desert Newco's taxable income or loss is passed through to its members, including us. Despite its partnership treatment, Desert Newco is liable for income taxes in certain foreign jurisdictions in which it operates, in those states not recognizing its pass-through status and for certain of its subsidiaries not taxed as pass-through entities. We have acquired the outstanding stock of various domestic and foreign entities taxed as corporations, which are now wholly-owned by us or our subsidiaries. Where required or allowed, these subsidiaries also file and pay tax as a consolidated group for U.S. federal and state income tax purposes and internationally, primarily within the U.K., Germany and India. We anticipate this structure to remain in existence for the foreseeable future.

Benefit for Income Taxes

Our benefit for income taxes includes U.S. federal, state and foreign income taxes. The domestic and foreign components of our income (loss) before income taxes were as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S.	$ (423.4)	$ 176.4	$ 138.9
Foreign	(72.0)	(50.0)	(65.9)
Income (loss) before income taxes	$ (495.4)	$ 126.4	$ 73.0

Our benefit for income taxes was as follows:

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ (3.4)	$ (0.7)	$ (1.3)
State	(1.1)	(0.6)	(0.7)
Foreign	(19.3)	(7.8)	(10.3)
	(23.8)	(9.1)	(12.3)
Deferred:			
Federal	2.9	4.4	1.4
State	1.5	0.4	1.0
Foreign	20.7	16.3	18.9
	25.1	21.1	21.3
Benefit for income taxes	$ 1.3	$ 12.0	$ 9.0

A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate was as follows:

	Year Ended December 31,		
	2020	2019	2018
Expected provision at U.S. federal statutory tax rate	$ 104.0	$ (26.5)	$ (15.3)
Research and development credits	75.0	—	—
State taxes, net of federal benefit	44.9	(1.2)	2.1
Effect of investment in Desert Newco	10.4	7.1	13.1
TRA liability adjustment	(5.3)	1.7	0.3
Foreign earnings	(5.4)	2.1	3.1
Uncertain tax positions	(5.6)	—	—
Other	0.9	(4.3)	0.9
Effect of changes in valuation allowances	(217.6)	33.1	4.8
Benefit for income taxes	$ 1.3	$ 12.0	$ 9.0

Our effective tax rate is driven by changes in valuation allowances based on current year earnings and the impact of foreign earnings primarily related to the U.K., Germany and India jurisdictions.

Deferred Taxes

The components of our deferred taxes were as follows:

	December 31,	
	2020	2019
DTAs:		
Investment in Desert Newco	$ 1,099.5	$ 968.0
NOLs	558.1	476.1
Credit and incentives	77.1	3.0
Deferred interest	26.4	34.1
Operating lease liabilities	22.7	25.7
TRA liability	—	24.4
Other	4.7	5.9
Valuation allowance	(1,761.0)	(1,497.0)
Total DTAs	27.5	40.2
DTLs:		
Identified intangible assets	(101.8)	(112.8)
Operating lease assets	(12.5)	(22.7)
Total DTLs	(114.3)	(135.5)
Net DTLs	$ (86.8)	$ (95.3)

As a result of the organizational transactions completed prior to our initial public offering (IPO), we acquired LLC Units and recognized a DTA for the difference between the financial reporting and tax basis of our investment in Desert Newco. During 2019, the DTAs associated with our investment increased $113.7 million due to exchanges of LLC Units and stock option exercises, and we recorded additional DTAs of $94.4 million as a result of our portion of Desert Newco's tax losses. During 2020, the DTAs associated with our investment increased $130.5 million due to exchanges of LLC Units and stock option exercises, and we recorded additional DTAs of $70.0 million as a result of our portion of Desert Newco's tax losses.

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) and on December 21, 2020 enacted the Consolidated Appropriations Act, 2021, neither of which had a material impact on our benefit for income taxes.

During 2020, we completed a research and development (R&D) tax credit study for the 2017, 2018 and 2019 tax years, which resulted in a total tax credit of $79.6 million. However, we do not have sufficient tax liability to utilize the majority of these tax credits; therefore, we have established tax credit carryforwards of $77.8 million. We generated additional R&D tax credits in 2020 and expect to do so on a go forward basis.

In determining the need for a valuation allowance, we prepare quarterly estimates using historical and forecasted future operating results, based upon approved business plans, including a review of the eligible carryforward periods and tax planning strategies. Based primarily on the negative evidence outweighing the positive evidence as of December 31, 2020, including our three year cumulative GAAP loss, our historical tax losses and the difficulty in forecasting excess tax benefits related to equity-based compensation, we believe there is uncertainty as to when we will be able to utilize certain of our NOLs, credit carryforwards and other DTAs. Therefore, we have recorded a valuation allowance against the DTAs for which we have concluded it is more-likely-than-not they will not be realized.

Should our operating results continue to improve and projections show utilization of the tax attributes, we would consider that as significant positive evidence and our future reassessment would likely result in the determination that a valuation allowance is no longer required. We believe sufficient positive evidence may arise in 2021 such that we would release substantially all of the federal and state valuation allowance. If this were to occur, it would result in a reversal of substantially all of the valuation allowance with a corresponding non-cash income tax benefit, thereby increasing the total DTAs.

As of December 31, 2020, we had U.S. federal, state and foreign gross NOLs, credits and incentives, a portion of which will begin to expire in 2030, as follows:

	Gross NOLs, Credits and Incentives	Portion Subject to a Valuation Allowance
Federal NOLs and credits	$ 2,112.3	$ 2,112.3
State NOLs, credits and incentives	2,586.4	2,586.4
Foreign NOLs	36.0	23.9
Total NOLs, credits and incentives	$ 4,734.7	$ 4,722.6

As of December 31, 2020, we have provided income taxes on the earnings of foreign subsidiaries, except to the extent such earnings are considered indefinitely reinvested. We have determined the amount of unrecognized DTL related to these temporary differences to be immaterial.

Uncertain Tax Positions

Our liability for unrecognized tax benefits was as follows:

	December 31,	
	2020	2019
Balance at beginning of period	$ 9.3	$ 2.1
Gross increases - tax positions in prior period	24.2	4.5
Gross increases - tax positions in current period	13.0	2.7
Current year acquisitions	20.2	—
Balance at end of period	$ 66.7	$ 9.3

The total amount of gross unrecognized tax benefits was $66.7 million as of December 31, 2020, of which $35.3 million, if fully recognized, would decrease our effective tax rate.

We recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. No material amounts were recognized during any of the periods presented. We do not expect a significant decrease in our liability for unrecognized tax benefits in the next 12 months.

We have filed all income tax returns for years through 2019, other than for Germany and the Netherlands. These returns are subject to examination by the taxing authorities in the respective jurisdictions, generally for three or four years after they were filed. Although we believe the amounts reflected in our tax returns substantially comply with applicable U.S. federal, state and foreign tax regulations, the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to our benefit for income taxes in the period in which a final determination is made.

16. Payable Pursuant to the TRAs

Concurrent with the completion of our IPO, we became a party to five TRAs with our pre-IPO owners. Under the TRAs, we were generally required to pay to such owners approximately 85% of the amount of calculated tax savings, if any, we were deemed to realize based on the relevant tax benefits allocated to us as a result of our acquisition of their LLC Units in the pre-IPO organizational transactions or from subsequent exchanges of their LLC Units (together with the corresponding shares of Class B common stock) for shares of our Class A common stock.

On July 31, 2020, we entered into settlement and release agreements with respect to four of the TRAs, and an amendment to the fifth TRA (collectively, the TRA Settlement Agreements), pursuant to which we settled all liabilities under the TRAs in exchange for aggregate payments totaling $850.0 million, of which $849.8 million was paid during 2020. Upon payment, we were released from all obligations to the parties to the TRAs, including the holders of unexchanged LLC Units. We recorded a charge of $674.7 million to our statements of operations during 2020 to adjust the liability under the TRAs from $175.3 million to the aggregate settlement amount.

As a result of the TRA Settlement Agreements, we retained all of the future cash tax savings from the utilization of the tax attributes we acquired as a result of acquisitions or exchanges of LLC Units subject to the TRAs. These attributes entitle us to the depreciation and amortization deductions previously allocable to the original owner of such units. Unutilized deductions related to these items are converted to NOL carryforwards.

Upon execution of the TRA Settlement Agreements, we generated approximately $180.0 million in additional DTAs. However, given that the negative evidence, including cumulative tax losses in recent years, continues to outweigh the positive evidence, we recorded a full valuation allowance against these DTAs. See Note 15 for additional discussion of the valuation allowances associated with our DTAs.

17. Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) attributable to GoDaddy Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted income (loss) per share is computed giving effect to all potentially dilutive shares unless their effect is antidilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income (loss) per share is as follows:

	Year Ended December 31,		
	2020	2019	2018
Numerator:			
Net income (loss)	(494.1)	138.4	82.0
Less: net income attributable to non-controlling interests	1.0	1.4	4.9
Net income (loss) attributable to GoDaddy Inc.	$ (495.1)	$ 137.0	$ 77.1
Denominator:			
Weighted-average shares of Class A common stock outstanding—basic	168,636	173,431	155,234
Effect of dilutive securities:			
Class B common stock	—	2,318	16,534
Stock options	—	4,369	7,123
RSUs, PSUs and ESPP shares	—	1,603	2,462
Weighted-average shares of Class A Common stock outstanding—diluted	168,636	181,721	181,353
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock—basic	$ (2.94)	$ 0.79	$ 0.50
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock—diluted[1]	$ (2.94)	$ 0.76	$ 0.45

(1) The diluted income (loss) per share calculations exclude net income attributable to non-controlling interests, unless the effect is antidilutive.

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted income (loss) per share because the effect of including such shares would have been antidilutive:

	Year Ended December 31,		
	2020	2019	2018
Class B common stock	1,145	—	—
Stock options	3,259	1,705	742
RSUs, PSUs and ESPP shares	2,045	79	240
	6,449	1,784	982

Shares of Class B common stock do not share in our earnings and are not participating securities. Accordingly, separate presentation of income per share of Class B common stock under the two-class method has not been presented. Each share of Class B common stock (together with a corresponding LLC Unit) is exchangeable for one share of Class A common stock.

18. Geographic Information

Revenue by geography is based on the customer's billing address and was as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S.	$ 2,211.3	$ 1,979.6	1,723.9
International	1,105.4	1,008.5	936.2
	$ 3,316.7	$ 2,988.1	$ 2,660.1

No individual international country represented more than 10% of total revenue in any period presented.

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Property and equipment, net by geography was as follows:

	Year Ended December 31,	
	2020	2019
U.S.	198.3	200.4
France	27.0	24.4
All other international	32.0	33.8
	$ 257.3	$ 258.6

No other individual international country represented more than 10% of property and equipment, net in any period presented.

19. Accumulated Other Comprehensive Loss

The following table presents AOCI activity in equity:

	Foreign Currency Translation Adjustments	Net Unrealized Gains (Losses) on Cash Flow Hedges[1]	Total AOCI
Gross balance as of December 31, 2018[2]	$ (92.3)	$ (22.4)	$ (114.7)
Other comprehensive income (loss) before reclassifications	37.7	(60.7)	(23.0)
Amounts reclassified from AOCI	—	58.8	58.8
Other comprehensive income (loss) - 2019	37.7	(1.9)	35.8
	$ (54.6)	$ (24.3)	(78.9)
Less: AOCI attributable to non-controlling interests			0.7
Balance as of December 31, 2019			$ (78.2)
Gross balance as of December 31, 2019[2]	$ (54.6)	$ (24.3)	$ (78.9)
Other comprehensive income (loss) before reclassifications	(44.2)	105.9	61.7
Amounts reclassified from AOCI	—	(114.4)	(114.4)
Other comprehensive income (loss) - 2020	(44.2)	(8.5)	(52.7)
	$ (98.8)	$ (32.8)	(131.6)
Less: AOCI attributable to non-controlling interests			0.6
Balance as of December 31, 2020			$ (131.0)

(1) Amounts shown for our foreign exchange forward contracts include gains and losses realized upon contract settlement but not yet recognized into earnings from AOCI.
(2) Beginning balance is presented on a gross basis, excluding the allocation of AOCI attributable to non-controlling interests.

See Note 10 for the effect on net income of amounts reclassified from AOCI related to our cash flow hedging instruments. The income tax impact associated with these reclassified amounts was not material in any period presented.

20. Subsequent Events

In February 2021, we acquired Poynt Co. for $329.2 million in cash paid at closing and an additional $45.0 million in deferred cash payments subject to certain performance and employment conditions over the three years subsequent to the closing date. Poynt offers a suite of products allowing small businesses to sell and accept payments anywhere, including point-of-sale systems, payments, invoicing and transaction management.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), who are our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K.

Based on this evaluation, our CEO and CFO concluded that, as of December 31, 2020, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended December 31, 2020 that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013 framework). Based on our assessment under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2020. The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of GoDaddy Inc.

Opinion on Internal Control over Financial Reporting

We have audited GoDaddy Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, GoDaddy Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2020 and the related notes and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 19, 2021

Item 9B. Other Information

None.

Part III.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in our Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the year ended December 31, 2020 (the 2021 Proxy Statement) and is incorporated herein by reference. The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption "Delinquent Section 16(a) Reports" in the 2021 Proxy Statement and is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics applicable to all of our employees, executive officers and directors. Our Code of Business Conduct and Ethics is available on our website in the Investor Relations section under the menu entry: Governance/Governance Documents (https://aboutus.godaddy.net/investor-relations/governance/default.aspx). To the extent mandated by legal requirements, we intend to disclose on our website any amendments to our Code of Business Conduct and Ethics, or any waivers of its requirements.

Item 11. Executive Compensation

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be included in the 2021 Proxy Statement and is incorporated herein by reference.

Part IV.

Item 15. Exhibits, Financial Statement Schedules

We have filed the following documents as part of this Annual Report on Form 10-K:

Financial Statements

Our financial statements are listed in the "Index to Consolidated Financial Statements" under Item 8 "Financial Statements and Supplementary Data."

Financial Statement Schedules

All other schedules have been omitted because they are either not required, not applicable or the required information is otherwise included.

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Reorganization Agreement dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	2.1	4/6/2015
3.1	Amended and Restated Certificate of Incorporation of GoDaddy Inc.	8-K	001-36904	3.1	4/6/2015
3.2	Amended and Restated Bylaws of GoDaddy Inc., dated September 9, 2020	8-K	001-36904	3.1	9/11/2020
4.1	Specimen common stock certificate of GoDaddy Inc.	S-1/A	333-196615	4.1	3/19/2015
4.2	Amended and Restated Registration Rights Agreement, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.3	4/6/2015
4.3	Stockholder Agreement, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.4	4/6/2015
4.4	Exchange Agreement, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.2	4/6/2015
4.5+	GoDaddy Inc. 2015 Equity Incentive Plan, and form of agreements thereunder	S-8	333-203166	4.2	4/1/2015
4.6+	GoDaddy Inc. 2015 Employee Stock Purchase Plan, as amended on June 27, 2016, and form of agreements thereunder	10-Q	001-36904	4.1	11/2/2016
4.7+	Desert Newco, LLC 2011 Unit Incentive Plan, as amended, and form of agreements thereunder	S-8	333-203166	4.4	4/1/2015
4.8+	Bootstrap, Inc. 2008 Stock Plan, and form of agreements thereunder	S-1/A	333-196615	10.11	2/13/2015
4.9+	The Go Daddy Group, Inc. 2006 Equity Incentive Plan	S-1/A	333-196615	10.28	3/19/2015
4.10	Description of Capital Stock	10-K	333-196615	4.10	2/21/2020
10.1	Third Amended and Restated Limited Liability Company Agreement of Desert Newco, LLC, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.1	4/6/2015
10.2	Tax Receivable Agreement (Exchanges) dated as of March 31, 2015, by and among GoDaddy Inc. and the persons named therein	8-K	001-36904	10.5	4/6/2015
10.3	Tax Receivable Agreement (KKR Co-Invest Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and GDG Co-Invest Blocker L.P.	8-K	001-36904	10.6	4/6/2015
10.4	Tax Receivable Agreement (KKR Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and KKR 2006 GDG Blocker L.P.	8-K	001-36904	10.7	4/6/2015
10.5	Tax Receivable Agreement (SLP Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and SLP III Kingdom Feeder I, L.P.	8-K	001-36904	10.8	4/6/2015
10.6	Tax Receivable Agreement (TCV Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and TCV VII (A) L.P.	8-K	001-36904	10.9	4/6/2015
10.7	Amendment No. 1 to the Tax Receivable Agreement (Exchanges), dated July 31, 2020, by and among the Company and the parties named therein.	8-K	001-36904	10.1	8/5/2020
10.8	TRA (Exchanges) Termination and Release Agreement, dated July 31, 2020, by and among the Company and the parties named therein and subsequently becoming parties thereto	8-K	001-36904	10.2	8/5/2020
10.9	TRA (KKR Reorganization) Termination and Release Agreement, dated July 31, 2020, by and between the Company and KKR 2006 GDG Blocker L.P.	8-K	001-36904	10.3	8/5/2020
10.10	TRA (KKR Co-Invest Reorganization) Termination and Release Agreement, dated July 31, 2020, by and between the Company and GDG Co-Invest Blocker L.P.	8-K	001-36904	10.4	8/5/2020
10.11	TRA (SLP Reorganization) Termination and Release Agreement, dated July 31, 2020, by and between the Company and SLP III Kingdom Feeder I, L.P.	8-K	001-36904	10.5	8/5/2020
10.12	TRA (TCV Reorganization) Termination and Release Agreement, by and between the Company and TCV VII (A) L.P.	8-K	001-36904	10.6	8/5/2020
10.13	Registrar Accreditation Agreement, dated July 14, 2013, by and between GoDaddy.com, LLC and Internet Corporation for Assigned Names and Numbers	S-1	333-196615	10.16	6/9/2014
10.14	.COM Registry-Registrar Agreement, dated July 5, 2012, by and between GoDaddy.com, LLC and VeriSign, Inc.	S-1	333-196615	10.17	6/9/2014

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.15	Amendment No. 5 to Credit Agreement, including as Annex A, the Second Amended and Restated Credit Agreement, dated as of February 15, 2017, by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, GD Finance Co, Inc., Barclays Bank PLC, Deutsche Bank Securities Inc., RBC Capital Markets, KKR Capital Markets LLC, J.P. Morgan Securities LLC, Morgan Stanley Senior Funding Inc., and Citigroup Global Markets, Inc. (the Fifth Amendment)	8-K	001-36904	10.1	2/16/2017
10.16	Technical Amendment to the Fifth Amendment	8-K	001-36904	10.1	5/26/2017
10.17	Amendment No. 1 to the Fifth Amendment, dated as of November 22, 2017	8-K	001-36904	10.1	11/22/2017
10.18	Amendment No. 3 to the Second Amended and Restated Credit Agreement by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, GD Finance Co, Inc., the lending institutions from time to time party thereto, and Barclays Bank PLC, effective as of October 3, 2019	8-K	001-36904	10.1	10/4/2019
10.19	Joinder and Fourth Amendment Agreement to the Second Amended and Restated Credit Agreement, by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, GD Finance Co, Inc., the lending institutions party thereto, and Barclays Bank PLC, effective as of August 10, 2020.	8-K	001-36904	10.1	8/13/2020
10.20	Form of Indemnification Agreement between the Company and its directors and officers	S-1/A	333-196615	10.20	2/24/2015
10.21+	Executive Incentive Compensation Plan	S-1/A	333-196615	10.22	2/24/2015
10.22+	Employment Agreement, dated as of September 4, 2019, by and among GoDaddy.com, LLC, Desert Newco, LLC and Aman Bhutani	10-Q	001-36904	10.2	11/7/2019
10.23+	Employment Agreement, dated as of August 1, 2016, by and among GoDaddy.com, LLC, Desert Newco, LLC and Ray E. Winborne	10-Q	001-36904	10.1	11/2/2016
10.24+	Employment Agreement, dated September 20, 2016, by and among GoDaddy.com, LLC, Desert Newco, LLC and Nima Kelly	10-Q	001-36904	10.1	5/8/2017
10.25+	Offer Letter, dated February 18, 2016, between GoDaddy Inc. and Brian Sharples	8-K	001-36904	10.1	3/10/2016
10.26+	Offer Letter, dated January 16, 2018, between GoDaddy Inc. and Mark Garrett	8-K	001-36904	10.1	2/2/2018
10.27+	Offer Letter, dated July 24, 2018, between GoDaddy Inc. and Caroline Donahue	8-K	001-36904	10.1	8/2/2018
10.28+	Offer Letter, dated July 24, 2018, between GoDaddy Inc. and Ryan Roslansky	8-K	001-36904	10.2	8/2/2018
10.29+	Offer Letter, dated February 7, 2020, between GoDaddy Inc. and Leah Sweet	8-K	001-36904	10.1	2/10/2020
21.1*	List of subsidiaries of GoDaddy Inc.				
23.1*	Consent of independent registered public accounting firm				
24.1*	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)				
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

+	Indicates management contract or compensatory plan or arrangement.
#	Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. GoDaddy Inc. agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon request.
*	Filed herewith.
**	The certifications attached as Exhibit 32.1 accompanying this Annual Report on Form 10-K, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of GoDaddy Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GODADDY INC.

Date: February 19, 2021

/s/ Aman Bhutani
Aman Bhutani
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Aman Bhutani and Ray E. Winborne, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Aman Bhutani Aman Bhutani	Chief Executive Officer and Director (Principal Executive Officer)	February 19, 2021
/s/ Ray E. Winborne Ray E. Winborne	Chief Financial Officer (Principal Financial Officer)	February 19, 2021
/s/ Nick Daddario Nick Daddario	Chief Accounting Officer (Principal Accounting Officer)	February 19, 2021
/s/ Charles J. Robel Charles J. Robel	Chairman of the Board of Directors	February 19, 2021
/s/ Herald Y. Chen Herald Y. Chen	Director	February 19, 2021
/s/ Caroline F. Donahue Caroline F. Donahue	Director	February 19, 2021
/s/ Mark Garrett Mark Garrett	Director	February 19, 2021
/s/ Ryan Roslansky Ryan Roslansky	Director	February 19, 2021
/s/ Brian H. Sharples Brian H. Sharples	Director	February 19, 2021
/s/ Leah Sweet Leah Sweet	Director	February 19, 2021
/s/ Lee E. Wittlinger Lee E. Wittlinger	Director	February 19, 2021

Exhibit 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

Name	State or Other Jurisdiction of Incorporation or Organization
Desert Newco, LLC	Delaware
Go Daddy Operating Company, LLC	Delaware
GoDaddy MSH Inc.	Delaware
GoDaddy.com, LLC	Delaware
Wild West Domains, LLC	Delaware
123-Reg Limited	United Kingdom
GD UK Holdings, Ltd.	United Kingdom
HEL Bidco Ltd.	United Kingdom
Host Europe Group Limited	United Kingdom
Host Europe Investments Limited	United Kingdom
Host Europe Limited	United Kingdom
Host Europe Finance Co. Limited	Jersey
Host Europe Holdings Limited	Jersey

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement Form S-8 (File No. 333-203166) pertaining to the GoDaddy Inc. 2015 Equity Incentive Plan, the GoDaddy Inc. 2015 Employee Stock Purchase Plan, the Desert Newco, LLC 2011 Unit Incentive Plan, the Locu, Inc. Amended and Restated 2011 Equity Incentive Plan, the Bootstrap, Inc. 2008 Stock Plan and The Go Daddy Group, Inc. 2006 Equity Incentive Plan,
(2) Registration Statement (Form S-8 No. 333-212019) pertaining to the 2015 Equity Incentive Plan and the 2015 Employee Stock Purchase Plan of GoDaddy Inc.,
(3) Registration Statement (Form S-8 No. 333-221431) pertaining to the 2015 Equity Incentive Plan and the 2015 Employee Stock Purchase Plan of GoDaddy Inc.,
(4) Registration Statement (Form S-8 No. 333-224795) pertaining to the 2015 Equity Incentive Plan and the 2015 Employee Stock Purchase Plan of GoDaddy Inc.,
(5) Registration Statement (Form S-8 No. 333-231210) pertaining to the 2015 Equity Incentive Plan and the 2015 Employee Stock Purchase Plan of GoDaddy Inc.,
(6) Registration Statement (Form S-8 No. 333-238055) pertaining to the 2015 Equity Incentive Plan and the 2015 Employee Stock Purchase Plan of GoDaddy Inc.;

of our reports dated February 19, 2021, with respect to the consolidated financial statements of GoDaddy Inc., and the effectiveness of internal control over financial reporting of GoDaddy Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP
Phoenix, Arizona
February 19, 2021

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Aman Bhutani, certify that:

1. I have reviewed this Annual Report on Form 10-K of GoDaddy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

By: /s/ Aman Bhutani

Aman Bhutani
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ray E. Winborne, certify that:

1. I have reviewed this Annual Report on Form 10-K of GoDaddy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

By: /s/ Ray E. Winborne

Ray E. Winborne
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aman Bhutani, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of GoDaddy Inc. for the fiscal year ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: February 19, 2021

By: /s/ Aman Bhutani
Aman Bhutani
Chief Executive Officer
(Principal Executive Officer)

I, Ray E. Winborne, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of GoDaddy Inc. for the fiscal quarter ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: February 19, 2021

By: /s/ Ray E. Winborne
Ray E. Winborne
Chief Financial Officer
(Principal Financial Officer)