



GoDaddy Inc. Q1 2021 Earnings Prepared Remarks

Aman Bhutani, GoDaddy CEO

Thank you, Mark, and thank you all for joining us today.

GoDaddy exists to empower Everyday Entrepreneurs. We remain committed to a vision that can change the world, and radically shift the global economy in favor of small business. The internet has emerged as the greatest technological equalizer and every day more entrepreneurs are seizing that promised opportunity and making their own way. And we are thrilled to support them in their journey.

Today, we are also pleased to announce that Michele Lau and Mark McCaffrey will be joining GoDaddy as our new Chief Legal Officer and Chief Financial Officer, respectively. As we charge down the path of growth, Michele and Mark bring scale and experience to our already strong leadership team.

Michele joins us from McKesson where she advises its board and senior executives on strategic matters related to M&A, corporate strategy, executive compensation, corporate governance, the McKesson Foundation and so much more. She co-chairs the National Asian Pacific Bar Association's In-House Counsel Mentoring Program and serves on the board of directors of the Asian Pacific Fund. Michele is talented and humble, experienced and curious, a strong cultural fit and will no doubt take us to the next level.

Mark joins us from PWC where he led the US Technology, Media, and Telecom Sector. Mark is a visionary, and a strategic leader who has developed a breadth of expertise, not just in finance but across all of software and technology. He is a thought leader in the industry, and brings the depth of understanding that GoDaddy needs to wisely invest and drive growth. One of the things that appealed to me about Mark is that he has been a strategic partner, directly advising CEOs and CFOs of the world's greatest tech companies, through important transitions. We are confident that Mark will be a fantastic addition to the strategic leadership of the company and together we will do great things. We wanted to take this opportunity to introduce Mark to you, here's Mark

Mark McCaffery, GoDaddy CFO, effective June 2021:

Thanks Aman - I'm very excited to be here today. GoDaddy has an incredible history of empowering small businesses and delivering great value for its customers. I was obviously attracted to the vision and mission of the company – to radically change the global economy in favor of small businesses – but there is so much more to it. The more I learned about Aman's strategic vision, the more I wanted to be a part of what's coming next on this journey. I'm thrilled to be joining such an accomplished leadership team, and even more excited about what we're going to build in the future. I'm anxious to dive in, and I look forward to meeting with many of you on this call in the coming months.

Aman Bhutani, GoDaddy CEO

Thank you Mark. Both Michele and Mark have connected very well with the existing leadership team and we can see that it will be fun working with them. We are grateful to have been in the position where a broad and diverse set of candidates were attracted to the GoDaddy story, and true to our commitment to velocity, we moved quickly and with purpose to fill the large shoes our existing leaders are leaving behind.

Talking about moving quickly, our customers move quickly too. Our core focus has been about accelerating the velocity of innovation at GoDaddy. Ambitious goals and big ideas supported by operational discipline in the form of experimentation – both large and small. Last quarter I talked about three priorities for the year – Commerce, powered by our growth in presence, our focus on Pros and our Domains business. With four consecutive quarters of accelerating bookings growth, today, I am delighted to share that in the last few months we brought to market new capabilities in all three of our priorities.

COMMERCE & PRESENCE

Commerce

Our top priority this year from a product perspective is commerce. As more and more of our customers are coming online with the explicit intent to sell products and services, we are rapidly innovating to meet those needs. Following our acquisition of Poynt in February, we have hit the ground running. We are live in market with payments functionality for WordPress and a beta launch of a seamless payments experience in Websites + Marketing is coming in a few weeks.

And our teams are running in parallel getting Payments to market while continuing to make significant progress towards our true end goal - a holistic, omni commerce

solution, purpose-built by GoDaddy for the Everyday Entrepreneur to be launched this year.

While we plan these significant improvements, our customers continue to succeed on our platform with GMV for Websites+Marketing and Sellbrite growing one hundred percent year-over-year in Q1. Websites + Marketing Commerce subscriptions also continue to stand out, increasing more than 70 percent year over year demonstrating the preference of our customers for our seamless and intuitive experience.

Presence

We continue to see strong growth in Websites + Marketing overall. Our customers look to us for help attracting their customers to effectively market their products and services. The '+ Marketing' side of the suite is critical for customers, and I wanted to share four incredible new features to help our customers do exactly that, and do it in a simple way:

First, we're excited to announce the launch of Facebook 'Boosted Posts', empowering GoDaddy customers to create and manage simple advertising campaigns on Facebook from within Websites + Marketing. Our seamless, and intuitive experience eliminates duplicated effort for our customers, and we take it further for them. With one click, our customers can turn their social media posts into email marketing campaigns.

Second, through direct API integration with Instagram, GoDaddy customers can create, edit, post, and engage on Instagram directly from their Websites + Marketing dashboard. Customers love this capability and we saw a 63 percent increase in account connections, and a 22 percent increase in weekly social posts after we introduced this feature.

Third, we have a lot of service-based customers, like personal trainers or accountants, and they have unique needs. We launched a new Online Appointments Social Composer which enables them to create posts to market their business and drive appointment bookings on their website through their social media channels. The result? Customers who used the social composer saw an average order per site and an average GMV per site increase by 20 percent.

Last but not least, our brand is built on guidance and we have been working hard to bring guidance online. Recently we embedded guidance directly into the editor. This personalized action plan leverages data from millions of websites and provides our customers with their next best action. About 20 percent of Websites +

Marketing customers have already engaged with this tool, and we saw an 86 percent increase in publication rates among those that did.

Websites + Marketing has grown into a suite of products with capabilities that help customers succeed in all digital channels. We continue to get the product out to as many customers as possible – with freemium, with marketing dollars – and customers consistently tell us they want more.

GODADDY PROS

Moving to our second priority -- Pros. We're pleased to share that last week, we hosted Expand 2021, our first ever conference for web designers and developers, or GoDaddy Pros. We created Expand to bring together the Pro community and share best practices and tools that will help them scale their business, get work done more efficiently, and keep clients happy. We had thousands of Pros sign up for the event and early feedback is that they absolutely loved it.

Pros prefer the WordPress platform, and its success is clear from its market share gains. GoDaddy is committed to our Pros and to WordPress. We have a lot to offer Pros and I wanted to highlight a couple of recent releases:

The first is the public beta launch of a new WordPress editor, optimized for ease-of-use and simplicity, making site building in WordPress easier than ever. We've been rolling out the new editor to new users quickly over the last couple of months. About half of the new users globally are now starting with the new editor and early indication is that their level of satisfaction is nicely higher than customers using the regular WordPress editor.

The second is the Pro Hub. We talked about the launch of the Hub last quarter and now thousands of Pros are using it and using it frequently. Our target is to have over 300 thousand pros enrolled and actively using the Hub by the end of the year. This is unique functionality for Pros, available for free, and every week the team launches new features and capabilities.

The opportunity with Pros is huge. We're putting initiatives in place that will help us drive value for this important customer segment for many years. And, we're equally excited about the value that can create for GoDaddy and its shareholders as we tap more meaningfully into this market.

DOMAINS GROWTH & INNOVATION

Innovation & Experimentation

Moving onto Domains, last quarter I shared with you the acceleration of velocity we are seeing in experimentation in our Domains business and the innovation it is driving for our customers. The acceleration is a function of focusing on the customer needs, and when we provide customers with better products, they reward us with high engagement with our products, and higher revenue.

It started showing up in the numbers meaningfully last quarter, and accelerated in Q1. The result in Domains demonstrates the opportunities that exist for GoDaddy even in its most mature business. We are a two-sided marketplace for Domains – independent customers on one side and domain investors on the other. The high-teens growth in Domains is driven by innovation on connecting these customers and we will continue to innovate to drive these high levels of growth. I wanted to share a couple of examples of this with you:

We created new experiences for Domain Investors that allowed them to quickly do bulk searches and orders. That simplified the day-to-day experiences for them. As Domain Investors engaged more, they added domains into the aftermarket which we then pulled into new search experiences for independents, so they could have access to more inventory and find the right name for their venture.

We also did the reverse; we gave independent customers an easy way to list their domain name in the aftermarket – a way that was seamless and custom-built for them. Independent customers added over 200 thousand domain names, that had otherwise been passive, into the aftermarket, spurring activity for Domain Investors.

Creating these types of loops can quickly accelerate, and our team is reviewing every experience from basic parking to deep learning models, and testing improvements that add value to the customer and spur network effects.

Registry acquisitions & consolidation

One such opportunity that we will bring to bear is with our GoDaddy Registry business. A few weeks ago, we announced some small acquisitions, with big aspirations. We're adding about 30 new TLDs to GoDaddy Registry, including .club, .design, and the MMX portfolio.

The efficiencies of scale make obvious sense, and the reason for us to scale GoDaddy Registry is to be able to innovate for our customers. Following the acquisitions that we've announced, GoDaddy will be the third-largest registry in the world, and our platform allows us to add TLDs at near-zero incremental cost. The high-margin business gives us investment dollars while keeping costs low. This is key to us creating new experiences for customers while giving them a choice of the best TLDs – both from our partners and from GoDaddy.

CLOSING

In closing, as we have shared in the past, our formula for success, first and foremost, is about creating value for our customers. Our operating velocity is about innovation driving a constant increase in customer value allowing us to shift part of the value to shareholders. GoDaddy had a strong quarter – powered by a good acceleration in bookings. And yes, our strong business model showed up, and yes, we flexed our organic and inorganic muscles for growth, and yes, we invested in our products and marketing while delivering healthy unlevered free cash flow but the key to long term growth and value creation remains that we are a customer-led software company focused on innovation for our customers and, our customers continue to want to do more with us.

With that, let's hear from Ray now, in what will be his last quarterly call for GoDaddy. Thank you Ray.

Ray Winborne, GoDaddy CFO

Thanks Aman, I'll touch on the financial results for what was a terrific quarter for GoDaddy, and then provide our outlook for Q2 and the rest of the year.

Q1 is another solid proof point validating the strategy we laid out last year at our Investor Day. We've now seen four consecutive quarters of accelerating bookings growth, and the teams are pushing harder every day to increase velocity in innovation, giving us confidence we're just beginning to tap the huge opportunity in front of us.

For the quarter, total **Revenue** came in at \$901 million, growing over 14 percent year-over-year while currency impacts were negligible. Our international business grew 16 percent on a reported basis. That's the fastest growth in over two years as we see ever increasing demand for a digital presence in markets around the world.

Business Applications was our fastest growing product line, increasing 21 percent year-over-year on continued strength in branded email and productivity

solutions. And, **Domains** was not far behind, growing 19 percent on the heels of the experimentation efforts Aman talked about earlier. We continue to see stellar growth in aftermarket domain sales. With over 20 million domains listed, GoDaddy operates the largest and most active domain aftermarket in the world, and it now contributes roughly 10 percent of total revenue. We also continue to see great strength in primary domain registrations and strong product renewal rates. And finally, **Hosting & Presence** grew 4 percent in the first quarter. This line continues to reflect headwinds from the GoDaddy Social product due to the elimination of the outbound sales force last June. Putting some context on that impact, excluding GoDaddy Social, from both periods, growth in Hosting and Presence would have been high-single digits this quarter.

We marked a major milestone from the scale perspective this quarter. For the first time ever, GoDaddy is reporting quarterly **Bookings** of more than \$1 Billion dollars. Bookings rose 14 percent year-over-year with a point of currency tailwind. Strength was broad-based across products and geographies, with domains seeing the most upside.

Gross margin came in at 64 percent in the quarter. As we've shared with you in the past, there are many variables that can impact gross margin in any given quarter, but product mix is one of the most important. Outsized growth in domains impacted overall gross margins this quarter, but we remain within the mid-60s range we've always pointed to. More importantly, we're pleased with the growth in gross profit dollars generated by the top line out performance this quarter.

Both G&A and Tech and Dev expenses accelerated this quarter primarily related to acquisition expenses pre- and post-consolidation. Importantly, our acquisition of Poynt in February required us to account for some of the acquisition price as GAAP operating expenses, which we call out in the reconciliation tables in our press release and slides. Excluding these non-recurring expenses, T&D expense would have been lower by \$29 million, but still up 20 percent year over year, as we press to accelerate product development. We also continued to invest in Marketing to capture strong demand in the market.

The net sum resulted in **Normalized EBITDA** of \$192 million in Q1, representing growth of 17 percent.

Moving to cash flow, **Unlevered Free Cash Flow** for the quarter was \$268 million, growing 14 percent, partially from lighter capex spend this quarter that should even itself out over the year.

Balance Sheet

Now, onto the balance sheet. We finished Q1 with \$1.3 billion in cash and total liquidity of nearly \$1.9 billion. In February, we issued \$800 million eight-year senior unsecured notes with a fixed rate of 3.5 percent to fund acquisition activity. We also took advantage of favorable market conditions, repricing the 2027 term loan lowering the rate by 50 basis points and generating nearly \$4 million in annual cash savings. Net debt stands at \$2.7 billion, below three times net leverage on a trailing twelve-month basis, and near the midpoint of our targeted range of 2 to 4 times. And we have no significant debt maturities until 2024.

Additionally, we repurchased 3.5 million shares of our common stock through today, for an aggregate purchase price of \$276 million or an average price of \$78.81 per share. These repurchases represent approximately 2 percent reduction in fully diluted shares outstanding.

We also announced that our Board of Directors approved a new share repurchase authorization to acquire an incremental \$775 million of our common stock, bringing the total repurchase capacity to \$1 billion.

GoDaddy has a highly resilient, recurring revenue model and a strong balance sheet. That enables us to execute against a number of priorities as you saw this quarter including investing for organic growth, acquisitions and share repurchases. We remain confident that we have the liquidity and flexibility to pursue multiple capital allocation priorities in pursuit of long term growth and free cash flow per share.

OUTLOOK

With that let's turn to our outlook. Given the strong pacing of the business, we're raising our guidance for full year revenue to \$3.75 billion, or 13 percent growth, and we're also raising the outlook for unlevered free cash flow outlook to \$955 million or 16 percent growth.

With respect to investment cadence - we're seeing good returns on marketing spend, and plan to continue at similar levels of investment to drive growth. We also expect continued tech and dev investment as we push on the velocity and scope of our product development, including the launch of an omni commerce offering. These investments will be largely offset by the operating leverage we're seeing in Customer Care and G&A.

For Q2, we expect total revenue of approximately \$920 million, or 14 percent growth year-over-year, with high-teens growth in Domains and Business Applications, and high-single-digit growth in Hosting and Presence.

Note that this updated guidance reflects \$20 million of revenue and \$20 million of unlevered free cash flow dilution from the Poynt acquisition and does not incorporate the impact of any of the recently announced registry deals. We continue to expect Poynt to contribute more than \$150 million in incremental bookings to our commerce solution in 2023.

In closing, 2021 has been strong out of the gate, exceeding our expectations and we're not done yet. We're playing offense in a world where a digital presence is now table stakes and commerce continues to evolve quickly. GoDaddy will lead in this space by providing differentiated customer experiences, growth opportunities for its employees and creating significant value for shareholders.

Forward-Looking Statements

These prepared remarks include GAAP and non-GAAP financial results and operating metrics such as Total Bookings, Unlevered free cash flow, Normalized EBITDA, Net Debt, and Gross Merchandise Volume. A discussion of why we use non-GAAP financial measures and reconciliations of our non-GAAP financial measures to their GAAP equivalents may be found in the presentation posted to our investor relations website at investors.godaddy.net or on our Form 8-K filed with the SEC with today's earnings release.

The matters in these prepared remarks include forward-looking statements, which include those related to our future financial results, new product introductions and innovations, partner integrations, and our ability to integrate acquisitions and achieve desired synergies. These forward-looking statements are subject to risks and uncertainties that are discussed in detail in our documents filed with the SEC. Actual results may differ materially from those contained in the forward-looking statements. Any forward-looking statements that we make on this call are based on assumptions as of May 5, 2021, and we undertake no obligation to update these statements as a result of new information or future events, unless required by law.