

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

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

(State or other jurisdiction of incorporation or organization)

46-5769934

(I.R.S. Employer Identification Number)

**2155 E. GoDaddy Way
Tempe, Arizona 85284**

(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, \$0.001 par value per share	GDDY	NYSE

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 such files). Yes ☒ No ☐

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

As of July 30, 2021, there were 168,830,425 shares of GoDaddy Inc.'s Class A common stock, \$0.001 par value per share, outstanding and 378,723 shares of GoDaddy Inc.'s Class B common stock, \$0.001 par value per share, outstanding.

GoDaddy Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended June 30, 2021

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," 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 acquisition of Poynt Co., 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;

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).

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,375.2	\$ 765.2
Accounts and other receivables	54.6	41.8
Registry deposits	31.0	31.1
Prepaid domain name registry fees	426.5	392.4
Prepaid expenses and other current assets	103.5	60.8
Total current assets	1,990.8	1,291.3
Property and equipment, net	241.8	257.3
Operating lease assets	128.2	142.0
Prepaid domain name registry fees, net of current portion	183.0	176.1
Goodwill	3,525.2	3,275.1
Intangible assets, net	1,242.4	1,255.1
Other assets	50.7	36.0
Total assets	<u>\$ 7,362.1</u>	<u>\$ 6,432.9</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 77.4	\$ 51.0
Accrued expenses and other current liabilities	483.6	527.6
Deferred revenue	1,871.4	1,711.3
Long-term debt	24.1	24.3
Total current liabilities	2,456.5	2,314.2
Deferred revenue, net of current portion	767.0	725.1
Long-term debt, net of current portion	3,869.3	3,090.1
Operating lease liabilities, net of current portion	153.4	166.7
Other long-term liabilities	62.4	56.6
Deferred tax liabilities	84.9	92.0
Commitments and contingencies		
Stockholders' 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; 168,720 and 169,157 issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	0.2	0.2
Class B common stock, \$0.001 par value - 500,000 shares authorized; 379 and 688 issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	1,458.0	1,308.8
Accumulated deficit	(1,409.2)	(1,190.9)
Accumulated other comprehensive loss	(82.3)	(131.0)
Total stockholders' deficit attributable to GoDaddy Inc.	(33.3)	(12.9)
Non-controlling interests	1.9	1.1
Total stockholders' deficit	(31.4)	(11.8)
Total liabilities and stockholders' deficit	<u>\$ 7,362.1</u>	<u>\$ 6,432.9</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Domains	\$ 436.7	\$ 369.6	\$ 859.4	\$ 725.5
Hosting and presence	318.5	292.2	628.8	589.4
Business applications	176.1	144.6	344.2	283.5
Total revenue	931.3	806.4	1,832.4	1,598.4
Costs and operating expenses ⁽¹⁾ :				
Cost of revenue (excluding depreciation and amortization)	332.0	289.4	653.2	566.5
Technology and development	172.0	135.9	358.4	270.4
Marketing and advertising	126.5	104.4	259.2	197.5
Customer care	78.3	83.8	156.9	169.0
General and administrative	84.5	82.2	179.7	167.7
Restructuring charges	—	39.4	—	39.4
Depreciation and amortization	50.0	48.4	99.0	100.6
Total costs and operating expenses	843.3	783.5	1,706.4	1,511.1
Operating income	88.0	22.9	126.0	87.3
Interest expense	(32.6)	(19.4)	(61.3)	(40.6)
Tax receivable agreements liability adjustment	—	(674.7)	—	(674.7)
Other income (expense), net	(0.9)	(1.1)	(0.2)	(2.5)
Income (loss) before income taxes	54.5	(672.3)	64.5	(630.5)
Benefit (provision) for income taxes	(7.6)	(0.9)	(6.8)	0.5
Net income (loss)	46.9	(673.2)	57.7	(630.0)
Less: net income attributable to non-controlling interests	0.1	—	0.1	0.3
Net income (loss) attributable to GoDaddy Inc.	\$ 46.8	\$ (673.2)	\$ 57.6	\$ (630.3)
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock:				
Basic	\$ 0.28	\$ (4.06)	\$ 0.34	\$ (3.72)
Diluted	\$ 0.27	\$ (4.06)	\$ 0.33	\$ (3.72)
Weighted-average shares of Class A common stock outstanding:				
Basic	168,204	165,845	168,816	169,479
Diluted	171,129	165,845	172,388	169,479

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

Cost of revenue	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.3
Technology and development	27.9	22.0	54.9	43.1
Marketing and advertising	7.0	5.4	13.2	10.0
Customer care	3.7	3.3	6.7	5.9
General and administrative	12.6	17.7	28.8	34.7
Total equity-based compensation expense	\$ 51.4	\$ 48.6	\$ 104.0	\$ 94.0

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 46.9	\$ (673.2)	\$ 57.7	\$ (630.0)
Foreign exchange forward contracts gain (loss), net	0.9	(8.0)	3.0	6.3
Unrealized swap gain (loss), net of tax effect ⁽¹⁾	(6.1)	(4.1)	18.3	7.6
Change in foreign currency translation adjustment	(5.9)	(10.7)	27.8	(35.6)
Comprehensive income (loss)	35.8	(696.0)	106.8	(651.7)
Less: comprehensive income (loss) attributable to non-controlling interests	0.1	(0.1)	0.4	0.3
Comprehensive income (loss) attributable to GoDaddy Inc.	<u>\$ 35.7</u>	<u>\$ (695.9)</u>	<u>\$ 106.4</u>	<u>\$ (652.0)</u>

⁽¹⁾ The tax effect on our unrealized swap gain (loss) is reflected below:

Unrealized swap gain (loss), gross	\$ (5.1)	\$ (7.0)	\$ 19.8	\$ 8.7
Income tax effect	1.0	(2.9)	1.5	1.1
Unrealized swap gain (loss), net of tax effect	<u>\$ (6.1)</u>	<u>\$ (4.1)</u>	<u>\$ 18.3</u>	<u>\$ 7.6</u>

See accompanying notes to condensed consolidated financial statements.

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

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	169,157	\$ 0.2	688	\$ —	\$ 1,308.8	\$ (1,190.9)	\$ (131.0)	\$ 1.1	\$ (11.8)
Net income	—	—	—	—	—	10.8	—	—	10.8
Equity-based compensation, including amounts capitalized	—	—	—	—	53.2	—	—	—	53.2
Stock option exercises	309	—	—	—	11.8	—	—	(0.2)	11.6
Repurchases of Class A common stock	(2,544)	—	—	—	—	(195.1)	—	—	(195.1)
Impact of derivatives, net	—	—	—	—	—	—	26.5	—	26.5
Change in foreign currency translation adjustment	—	—	—	—	—	—	33.7	—	33.7
Vesting of restricted stock units and other	1,523	—	(209)	—	(0.4)	—	(0.4)	0.9	0.1
Balance at March 31, 2021	168,445	0.2	479	—	1,373.4	(1,375.2)	(71.2)	1.8	(71.0)
Net income	—	—	—	—	—	46.8	—	0.1	46.9
Equity-based compensation, including amounts capitalized	—	—	—	—	52.1	—	—	—	52.1
Stock option exercises	337	—	—	—	14.2	—	—	—	14.2
Repurchases of Class A common stock	(956)	—	—	—	—	(80.8)	—	—	(80.8)
Issuance of Class A common stock under ESPP	291	—	—	—	18.4	—	—	—	18.4
Impact of derivatives, net	—	—	—	—	—	—	(5.2)	—	(5.2)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(5.9)	—	(5.9)
Vesting of restricted stock units and other	603	—	(100)	—	(0.1)	—	—	—	(0.1)
Balance at June 30, 2021	<u>168,720</u>	<u>\$ 0.2</u>	<u>379</u>	<u>\$ —</u>	<u>\$ 1,458.0</u>	<u>\$ (1,409.2)</u>	<u>\$ (82.3)</u>	<u>\$ 1.9</u>	<u>\$ (31.4)</u>

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

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2019	172,867	\$ 0.2	1,490	\$ —	\$ 1,003.5	\$ (153.5)	\$ (78.2)	\$ 10.1	\$ 782.1
Net income	—	—	—	—	—	42.9	—	0.3	43.2
Equity-based compensation, including amounts capitalized	—	—	—	—	46.0	—	—	—	46.0
Stock option exercises	724	—	—	—	16.0	—	—	(0.7)	15.3
Repurchases of Class A common stock	(7,341)	—	—	—	—	(398.0)	—	—	(398.0)
Impact of derivatives, net	—	—	—	—	—	—	26.0	—	26.0
Change in foreign currency translation adjustment	—	—	—	—	—	—	(24.9)	—	(24.9)
Vesting of restricted stock units and other	1,377	—	(204)	—	1.4	(0.6)	(0.1)	(1.3)	(0.6)
Balance at March 31, 2020	167,627	0.2	1,286	—	1,066.9	(509.2)	(77.2)	8.4	489.1
Net loss	—	—	—	—	—	(673.2)	—	—	(673.2)
Equity-based compensation, including amounts capitalized	—	—	—	—	49.4	—	—	—	49.4
Stock option exercises	907	—	—	—	29.7	—	—	(0.5)	29.2
Repurchases of Class A common stock	(2,645)	—	—	—	—	(143.7)	—	—	(143.7)
Issuance of Class A common stock under ESPP	302	—	—	—	17.5	—	—	—	17.5
Impact of derivatives, net	—	—	—	—	—	—	(12.1)	—	(12.1)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(10.7)	—	(10.7)
Vesting of restricted stock units and other	560	—	(166)	—	1.0	—	0.1	(1.1)	—
Balance at June 30, 2020	166,751	\$ 0.2	1,120	\$ —	\$ 1,164.5	\$ (1,326.1)	\$ (99.9)	\$ 6.8	\$ (254.5)

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net income (loss)	\$ 57.7	\$ (630.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	99.0	100.6
Equity-based compensation expense	104.0	94.0
Non-cash restructuring charges	—	29.0
Tax receivable agreements liability adjustment	—	674.7
Other	16.8	18.4
Changes in operating assets and liabilities, net of amounts acquired:		
Prepaid domain name registry fees	(40.6)	(17.5)
Prepaid expenses and other current assets	(20.9)	(16.9)
Accounts payable	25.7	7.2
Deferred revenue	196.4	155.1
Other operating assets and liabilities	(7.4)	(13.2)
Net cash provided by operating activities	430.7	401.4
Investing activities		
Maturities of short-term investments	—	23.7
Business acquisitions, net of cash acquired	(320.1)	(189.9)
Purchases of intangible assets	(9.8)	—
Purchases of property and equipment	(21.1)	(30.7)
Purchases of equity investments	(10.0)	—
Other investing activities	1.1	0.3
Net cash used in investing activities	(359.9)	(196.6)
Financing activities		
Proceeds received from:		
Issuance of senior notes	800.0	—
Stock option exercises	25.8	44.5
Issuance of Class A common stock under ESPP	18.4	17.5
Payments made for:		
Repurchases of Class A common stock	(275.9)	(541.7)
Repayment of term loans	(16.2)	(12.5)
Other financing obligations	(12.5)	(1.8)
Net cash provided by (used in) financing activities	539.6	(494.0)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.9)
Net increase (decrease) in cash and cash equivalents	610.0	(290.1)
Cash and cash equivalents, beginning of period	765.2	1,062.8
Cash and cash equivalents, end of period	\$ 1,375.2	\$ 772.7
Cash paid during the period for:		
Interest on long-term debt, including impact of interest rate swaps	\$ 45.7	\$ 36.2
Income taxes, net of refunds received	\$ 11.6	\$ 8.0
Amounts included in the measurement of operating lease liabilities	\$ 27.0	\$ 24.7
Supplemental disclosure of non-cash transactions:		
Operating lease assets obtained in exchange for operating lease liabilities	\$ 6.5	\$ 11.1
Accrued purchases of property and equipment at period end	\$ 2.2	\$ 3.7

See accompanying notes to condensed consolidated financial statements.

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

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1. Organization and Background

Organization

We are the sole managing member of Desert Newco, and as a result, we consolidate its financial results and report non-controlling interests representing the economic interests held by its other members. The calculation of non-controlling interests excludes any net income attributable directly to GoDaddy Inc. As of June 30, 2021, we owned approximately 99.8% of Desert Newco.

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.

Our interim financial statements are unaudited, and in our opinion, include all adjustments of a normal recurring nature necessary for the fair presentation of the periods presented. The results for interim periods are not necessarily indicative of the results to be expected for any subsequent period or for the year ending December 31, 2021.

These financial statements should be read in conjunction with our audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K).

Prior Period Reclassifications

Certain immaterial prior period amounts have been reclassified 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. 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 June 30, 2021, our chief operating decision maker was 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

Assets Recognized from Contract Costs

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 \$167.7 million and \$162.3 million for the three months ended June 30, 2021 and 2020, respectively and was \$328.6 million and \$320.7 million, for the six months ended June 30, 2021 and 2020, respectively.

Fair Value Measurements

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

June 30, 2021				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds and time deposits	\$ 539.1	\$ —	\$ —	\$ 539.1
Derivative assets	—	17.7	—	17.7
Total assets	\$ 539.1	\$ 17.7	\$ —	\$ 556.8
Liabilities:				
Derivative liabilities	\$ —	\$ 158.0	\$ —	\$ 158.0
Total liabilities	\$ —	\$ 158.0	\$ —	\$ 158.0
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	\$ 98.0	\$ —	\$ —	\$ 98.0
Total assets	\$ 98.0	\$ —	\$ —	\$ 98.0
Liabilities:				
Derivative liabilities	\$ —	\$ 216.4	\$ —	\$ 216.4
Total liabilities	\$ —	\$ 216.4	\$ —	\$ 216.4

Recent Accounting Pronouncements

In March 2020, the FASB issued guidance providing temporary optional expedients and exceptions related to contract modifications and hedge accounting 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 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 contracts and hedging relationships that reference LIBOR.

3. Business Acquisitions

In February 2021, we completed the acquisition of Poynt Co. for \$297.1 million in cash consideration to expand our commerce capabilities. 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. At closing, we also paid an additional \$29.4 million in cash that was recorded as compensation expense during the three months ended March 31, 2021. The acquisition agreements also call for \$45.0 million in additional compensatory cash payments subject to certain performance and employment conditions over the three year period following the closing date.

The aggregate purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as 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 strategic benefits we expect to realize from the acquisition. During the measurement period, which will not exceed one year from 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 preliminary estimated acquisition date fair values of the assets acquired and liabilities assumed:

Total purchase consideration	\$ 297.1
Fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	3.2
Indefinite-lived intangible assets	1.3
Finite-lived intangible assets	51.8
Other assets and liabilities, net	0.8
Total assets acquired, net of liabilities assumed	57.1
Goodwill	\$ 240.0

The identified finite-lived intangible assets, which were valued using both income- and cost-based approaches, primarily consist of developed technology and customer relationships, and have a total weighted-average amortization period of 4.2 years.

Pro forma financial information is not presented because the acquisition was not material to our financial statements.

4. Goodwill and Intangible Assets

The following table summarizes changes in our goodwill balance:

Balance at December 31, 2020	\$ 3,275.1
Goodwill related to acquisitions	263.4
Impact of foreign currency translation	(11.8)
Other	(1.5)
Balance at June 30, 2021	\$ 3,525.2

Intangible assets, net are summarized as follows:

June 30, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names and branding	\$ 445.0	n/a	\$ 445.0
Domain portfolio	248.6	n/a	248.6
Contractual-based assets and other	68.3	n/a	68.3
Finite-lived intangible assets:			
Customer-related	536.9	\$ (251.1)	285.8
Developed technology	238.9	(111.4)	127.5
Trade names and other	106.5	(39.3)	67.2
	<u>\$ 1,644.2</u>	<u>\$ (401.8)</u>	<u>\$ 1,242.4</u>
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
	<u>\$ 1,914.3</u>	<u>\$ (659.2)</u>	<u>\$ 1,255.1</u>

Amortization expense was \$31.7 million and \$29.1 million for the three months ended June 30, 2021 and 2020, respectively, and was \$62.1 million and \$62.3 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, the weighted-average remaining amortization period for amortizable intangible assets was 55 months for customer-related intangible assets, 39 months for developed technology and 73 months for trade names and other, and was 53 months in total.

Based on the balance of finite-lived intangible assets as of June 30, 2021, expected future amortization expense is as follows:

Year Ending December 31:	
2021 (remainder of)	\$ 62.9
2022	123.6
2023	98.9
2024	83.0
2025	78.1
Thereafter	34.0
	<u>\$ 480.5</u>

5. Stockholders' Equity

In May 2021, our board of directors approved the repurchase of up to an additional \$775.0 million of our Class A common stock. We may purchase shares from time to time in open market purchases, block transactions and privately negotiated transactions, in accordance with applicable federal securities laws. Our share repurchase authorizations have no time limit, 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.

During the six months ended June 30, 2021, we repurchased a total of 3,500 shares of our Class A common stock in the open market pursuant to our share repurchase authorizations, which were retired upon repurchase, for an aggregate purchase price of \$275.9 million, including commissions. As of June 30, 2021, we had \$999.2 million remaining available for repurchases.

6. Equity-Based Compensation Plans

Equity Plans

On January 1, 2021, an additional 6,794 shares of our Class A common stock were reserved for issuance pursuant to the automatic increase provisions of the 2015 Equity Incentive Plan. As of June 30, 2021, 31,401 shares were available for issuance as future awards under this plan.

On January 1, 2021, an additional 1,000 shares of our Class A common stock were reserved for issuance pursuant to the automatic increase provisions of the 2015 Employee Stock Purchase Plan (the ESPP). As of June 30, 2021, 4,790 shares were available for issuance under the ESPP.

Equity Plan Activity

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 stock options and restricted stock awards (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 financial targets or (ii) our relative total stockholder return (TSR) as compared to an 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. Compensation expense for TSR-based PSUs is recognized regardless of whether the TSR market condition is satisfied.

The following table summarizes stock option activity:

	Number of Shares of Class A Common Stock (#)	Weighted- Average Exercise Price Per Share (\$)
Outstanding at December 31, 2020	3,428	42.79
Exercised	(646)	40.20
Forfeited	(209)	68.29
Outstanding at June 30, 2021	<u>2,573</u>	41.37
Vested at June 30, 2021	<u>2,130</u>	35.72

The following table summarizes stock award activity:

	Number of Shares of Class A Common Stock (#)
Outstanding at December 31, 2020	6,133
Granted: RSUs	3,355
Granted: TSR-based PSUs	411
Vested	(1,816)
Forfeited	(824)
Outstanding at June 30, 2021 ⁽¹⁾	<u>7,259</u>

(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 Grant- Date Fair Value Per Share (\$)
RSUs	6,483	77.18
TSR-based PSUs	612	106.66
Financial-based PSUs granted for accounting purposes	83	78.62
Financial-based PSUs not yet granted for accounting purposes	81	N/A
Outstanding at June 30, 2021	<u>7,259</u>	

As of June 30, 2021, total unrecognized compensation expense related to non-vested stock options and stock awards was \$8.7 million and \$403.0 million, respectively, with expected remaining weighted-average recognition periods of 1.8 years and 2.7 years, respectively. Such amounts exclude PSUs not yet considered granted for accounting purposes.

7. Deferred Revenue

Deferred revenue consisted of the following:

	June 30, 2021	December 31, 2020
Current:		
Domains	\$ 880.2	\$ 810.7
Hosting and presence	620.8	574.8
Business applications	370.4	325.8
	<u>\$ 1,871.4</u>	<u>\$ 1,711.3</u>
Noncurrent:		
Domains	\$ 440.5	\$ 410.4
Hosting and presence	220.2	218.1
Business applications	106.3	96.6
	<u>\$ 767.0</u>	<u>\$ 725.1</u>

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, offset by \$531.3 million and \$1,203.5 million of revenue recognized during the three and six months ended June 30, 2021, respectively that were included in the deferred revenue balance as of December 31, 2020. The deferred revenue balance as of June 30, 2021 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:

	Remainder of 2021	2022	2023	2024	2025	Thereafter	Total
Domains	\$ 577.2	\$ 451.9	\$ 139.3	\$ 65.3	\$ 37.4	\$ 49.6	\$ 1,320.7
Hosting and presence	425.5	277.7	82.9	26.2	11.4	17.3	841.0
Business applications	256.3	158.6	47.9	9.6	2.3	2.0	476.7
	<u>\$ 1,259.0</u>	<u>\$ 888.2</u>	<u>\$ 270.1</u>	<u>\$ 101.1</u>	<u>\$ 51.1</u>	<u>\$ 68.9</u>	<u>\$ 2,638.4</u>

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2021	December 31, 2020
Derivative liabilities	\$ 158.0	\$ 216.4
Accrued payroll and employee benefits	105.3	114.8
Tax-related accruals	46.4	38.4
Current portion of operating lease liabilities	41.9	41.5
Accrued marketing and advertising	28.7	29.9
Accrued legal and professional	24.0	24.4
Accrued acquisition-related expenses and acquisition consideration payable	13.7	9.4
Other	65.6	52.8
	<u>\$ 483.6</u>	<u>\$ 527.6</u>

9. Long-Term Debt

Long-term debt consisted of the following:

	Maturity Date	June 30, 2021	December 31, 2020
2024 Term Loans (effective interest rate of 2.3% at June 30, 2021 and 2.8% at December 31, 2020)	February 15, 2024	\$ 1,794.9	\$ 1,807.4
2027 Term Loans (effective interest rate of 2.5% at June 30, 2021 and 3.0% at December 31, 2020)	August 10, 2027	742.5	746.2
2027 Senior Notes (effective interest rate of 5.4% at June 30, 2021 and December 31, 2020)	December 1, 2027	600.0	600.0
2029 Senior Notes (effective interest rate of 3.6% at June 30, 2021)	March 1, 2029	800.0	—
Revolver	February 15, 2024	—	—
Total		3,937.4	3,153.6
Less: unamortized original issue discount and debt issuance costs ⁽¹⁾		(44.0)	(39.2)
Less: current portion of long-term debt		(24.1)	(24.3)
		<u>\$ 3,869.3</u>	<u>\$ 3,090.1</u>

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

Credit Facility

As described in our 2020 Form 10-K, our secured credit agreement (the Credit Facility) includes two tranches of term loans (the 2024 Term Loans and the 2027 Term Loans) and a revolving credit facility (the Revolver). A portion of the term loans is hedged by interest rate swap arrangements, as discussed in Note 10.

In March 2021, we refinanced the 2027 Term Loans to lower the interest rate margins by 0.5% with no changes made to the maturity date or any other terms. Following this refinancing, the 2027 Term Loans bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.0% per annum or (b) 1.0% 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%. Fees incurred in connection with the refinancing were not material.

As of June 30, 2021, 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 February 2021, we issued the 2029 Senior Notes in an aggregate principal amount of \$800.0 million in a private placement offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The proceeds from the issuance of the 2029 Senior Notes were retained for general corporate purposes. The 2029 Senior Notes were issued at par and bear interest at 3.5% per annum, payable annually on March 1 and September 1, commencing on September 1, 2021. The aggregate principal is payable at maturity, subject to earlier to earlier repurchase or optional redemption as described below. In conjunction with the issuance of the 2029 Senior Notes, we capitalized \$9.0 million in debt issuance costs.

The 2029 Senior Notes are redeemable at our option, in whole or in part, any time prior to March 1, 2024 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% or the remaining scheduled payments of interest discounted to a present value amount. In the event of an equity offering prior to March 1, 2024, the 2029 Senior Notes may be partially redeemed with the net cash proceeds of such offering at our option at an amount equal to 103.5% of the principal amount, plus accrued and unpaid interest. On and after March 1, 2024, we may redeem the 2029 Senior Notes, in whole or in part, at an amount equal to 101.75% of the principal amount, increasing to 101.875% as of March 1, 2025, and decreasing to 100.0% as of March 1, 2026, 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 2029 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.

As of June 30, 2021, we were not in violation of any covenants of the 2027 Senior Notes or the 2029 Senior Notes.

Fair Value

The estimated fair values of our long-term debt instruments are based on observable market prices for these loans, which are traded in less active markets and therefore classified as Level 2 fair value measurements, and were as follows as of June 30, 2021:

2024 Term Loans	\$	1,782.6
2027 Term Loans	\$	738.3
2027 Senior Notes	\$	631.4
2029 Senior Notes	\$	797.4

Future Debt Maturities

Aggregate principal payments, exclusive of any unamortized original issue discount and debt issuance costs, due on long-term debt as of June 30, 2021 are as follows:

Year Ending December 31:

2021 (remainder of)	\$	16.3
2022		32.5
2023		32.5
2024		1,740.0
2025		7.5
Thereafter		2,108.6
	\$	<u>3,937.4</u>

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, all of which had maturities of 18 months or less as of June 30, 2021;
- 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 risk management strategies related to our use of derivatives are consistent with those described in our 2020 Form 10-K.

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⁾	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
<u>Derivative Instrument:</u>						
<u>Level 2:</u>						
Foreign exchange forward contracts	\$ 309.2	\$ 276.2	\$ 1.8	\$ —	\$ 7.0	\$ 15.8
Cross-currency swap ⁽¹⁾	1,411.5	1,461.9	—	—	129.0	167.2
Interest rate swaps	2,011.6	2,022.0	15.9	2.0	22.0	33.4
Total hedges	<u>\$ 3,732.3</u>	<u>\$ 3,760.1</u>	<u>\$ 17.7</u>	<u>\$ 2.0</u>	<u>\$ 158.0</u>	<u>\$ 216.4</u>

(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 of approximately 1.19 and 1.22 as of June 30, 2021 and December 31, 2020, 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 accumulated other comprehensive income (loss) (AOCI):

	Unrealized Gains (Losses) Recognized in Other Comprehensive Income			
	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Derivative Instrument:				
Foreign exchange forward contracts ⁽¹⁾	\$ 0.9	\$ (8.0)	\$ 3.0	\$ 6.3
Cross-currency swap	(3.4)	(7.3)	(5.5)	30.4
Interest rate swaps	(1.7)	0.3	25.3	(21.7)
Total hedges	<u>\$ (4.2)</u>	<u>\$ (15.0)</u>	<u>\$ 22.8</u>	<u>\$ 15.0</u>

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

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

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
Foreign exchange forward contracts:						
Reclassified from AOCI into income	\$ (2.3)	\$ —	\$ —	\$ 1.2	\$ —	\$ —
Cross-currency swap:						
Reclassified from AOCI into income ⁽¹⁾	—	6.7	(15.1)	—	7.5	(22.6)
Interest rate swaps:						
Reclassified from AOCI into income	—	(8.7)	—	—	(6.4)	—
Total hedges	<u>\$ (2.3)</u>	<u>\$ (2.0)</u>	<u>\$ (15.1)</u>	<u>\$ 1.2</u>	<u>\$ 1.1</u>	<u>\$ (22.6)</u>

(1) The amount reflected in other income (expense), net includes \$14.8 million and \$22.4 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 the three months ended June 30, 2021 and 2020, respectively.

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
<u>Foreign exchange forward contracts:</u>						
Reclassified from AOCI into income	\$ (3.4)	\$ —	\$ —	\$ 2.0	\$ —	\$ —
<u>Cross-currency swap:</u>						
Reclassified from AOCI into income ⁽¹⁾	—	13.3	43.0	—	15.1	(2.4)
<u>Interest rate swaps:</u>						
Reclassified from AOCI into income	—	(17.3)	—	—	(8.9)	—
Total hedges	<u>\$ (3.4)</u>	<u>\$ (4.0)</u>	<u>\$ 43.0</u>	<u>\$ 2.0</u>	<u>\$ 6.2</u>	<u>\$ (2.4)</u>

(1) The amount reflected in other income (expense), net includes \$(43.7) million and \$2.1 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 the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, we estimate that \$14.3 million of net deferred losses related to our designated cash flow hedges will be recognized in earnings over the next 12 months. No amounts have been excluded from our hedge effectiveness testing.

11. Leases

Our operating leases primarily consist of office and data center space expiring at various dates through November 2036. As of June 30, 2021, operating leases have a remaining weighted average lease term of 7.7 years and our operating lease liabilities were measured using a weighted average discount rate of 5.0%.

The components of operating lease expense were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating lease costs	\$ 12.4	\$ 13.9	\$ 24.3	\$ 27.6
Variable lease costs	2.1	2.4	4.8	4.7
Sublease income	(0.8)	(0.9)	(1.6)	(1.8)
	<u>\$ 13.7</u>	<u>\$ 15.4</u>	<u>\$ 27.5</u>	<u>\$ 30.5</u>

12. Commitments and Contingencies

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. 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.

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 the plaintiffs' request for an incentive payment. Additionally, the actual notice and administration costs were lower than originally estimated.

As a result of the above developments, during 2020, we recorded a cumulative \$10.0 million reduction to general and administrative expense, lowering our estimated loss provision for this settlement to \$8.1 million as of December 31, 2020.

On January 19, 2021, a single objector to the settlement filed a notice of appeal to the 11th Circuit Court of Appeals, which remains pending as of the date of this filing. We made no changes to our estimated loss provision for this settlement during the three or six months ended June 30, 2021. The timing of any settlement payments 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 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.

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 June 30, 2021 and December 31, 2020, our accrual for estimated indirect tax liabilities was \$11.3 million and \$10.1 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. 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. 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 United Kingdom, Germany and India. We anticipate this structure to remain in existence for the foreseeable future.

Our effective tax rate for the three and six months ended June 30, 2021 differs from the U.S. federal statutory rate primarily due to changes in valuation allowances based on current year earnings and the impact of foreign earnings primarily related to the United Kingdom, Germany and India jurisdictions.

On March 11, 2021, the U.S. federal government enacted the American Rescue Plan Act of 2021, which did not have a material impact on our provision for income taxes.

On June 10, 2021, the United Kingdom enacted legislation increasing its corporate income tax rate to 25%, beginning in April 2023. As a result, during the three months ended June 30, 2021, we remeasured certain deferred tax assets (DTAs) and liabilities at the new rate and recorded a charge of \$4.0 million within our provision for income taxes.

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 June 30, 2021, 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 continued 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 total DTAs.

Uncertain Tax Positions

The total amount of gross unrecognized tax benefits was \$63.6 million as of June 30, 2021, of which \$26.1 million, if fully recognized, would decrease our effective tax rate. 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 provision or benefit for income taxes in the period in which a final determination is made.

14. 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 income (loss) per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	\$ 46.9	\$ (673.2)	\$ 57.7	\$ (630.0)
Less: net income attributable to non-controlling interests	0.1	—	0.1	0.3
Net income (loss) attributable to GoDaddy Inc.	<u>\$ 46.8</u>	<u>\$ (673.2)</u>	<u>\$ 57.6</u>	<u>\$ (630.3)</u>
Denominator:				
Weighted-average shares of Class A common stock outstanding—basic	168,204	165,845	168,816	169,479
Effect of dilutive securities:				
Class B common stock	404	—	494	—
Stock options	1,272	—	1,326	—
RSUs, PSUs and ESPP shares	1,249	—	1,752	—
Weighted-average shares of Class A Common stock outstanding—diluted	<u>171,129</u>	<u>165,845</u>	<u>172,388</u>	<u>169,479</u>
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock—basic	<u>\$ 0.28</u>	<u>\$ (4.06)</u>	<u>\$ 0.34</u>	<u>\$ (3.72)</u>
Net income (loss) attributable to GoDaddy Inc. per share of Class A common stock—diluted ⁽¹⁾ :	<u>\$ 0.27</u>	<u>\$ (4.06)</u>	<u>\$ 0.33</u>	<u>\$ (3.72)</u>

(1) The diluted income (loss) per share calculations exclude net income attributable to non-controlling interests.

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 potentially dilutive shares would have been antidilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Class B common stock	—	1,234	—	1,297
Stock options	500	3,505	536	4,078
RSUs, PSUs and ESPP shares	1,018	1,590	760	1,586
	<u>1,518</u>	<u>6,329</u>	<u>1,296</u>	<u>6,961</u>

Shares of Class B common stock do not share in our earnings and are not participating securities. Accordingly, separate presentation of income (loss) 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.

15. Geographic Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
U.S.	\$ 614.1	\$ 540.3	\$ 1,212.1	\$ 1,069.9
International	317.2	266.1	620.3	528.5
	<u>\$ 931.3</u>	<u>\$ 806.4</u>	<u>\$ 1,832.4</u>	<u>\$ 1,598.4</u>

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

Property and equipment, net by geography was as follows:

	June 30, 2021	December 31, 2020
U.S.	\$ 185.7	\$ 198.3
France	25.5	27.0
All other international	30.6	32.0
	<u>\$ 241.8</u>	<u>\$ 257.3</u>

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

16. 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, 2020 ⁽²⁾	\$ (98.8)	\$ (32.8)	\$ (131.6)
Other comprehensive income (loss) before reclassifications	27.8	(14.3)	13.5
Amounts reclassified from AOCI	—	35.6	35.6
Other comprehensive income	<u>27.8</u>	<u>21.3</u>	<u>49.1</u>
	\$ (71.0)	\$ (11.5)	(82.5)
Less: AOCI attributable to non-controlling interests			0.2
Balance as of June 30, 2021			<u>\$ (82.3)</u>
Gross balance as of December 31, 2019 ⁽²⁾	\$ (54.6)	\$ (24.3)	\$ (78.9)
Other comprehensive income (loss) before reclassifications	(35.6)	8.1	(27.5)
Amounts reclassified from AOCI	—	5.8	5.8
Other comprehensive income (loss)	<u>(35.6)</u>	<u>13.9</u>	<u>(21.7)</u>
	\$ (90.2)	\$ (10.4)	(100.6)
Less: AOCI attributable to non-controlling interests			0.7
Balance as of June 30, 2020			<u>\$ (99.9)</u>

(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.

17. Subsequent Events

In April 2021, we executed agreements to purchase a number of top-level domains (TLDs) for aggregate consideration of approximately \$200.0 million in cash, subject to customary adjustments, and a variable earn-out payment of up to \$12.0 million based on the achievement of specified performance conditions. In July 2021, we completed a portion of these purchases for aggregate cash paid at closing of approximately \$77.0 million. We expect to complete the remaining purchases in the third quarter of 2021, subject to regulatory approvals and the satisfaction of customary closing conditions.

Item 2. 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 this Quarterly Report on Form 10-Q as well as our audited financial statements and related notes and the discussion in the "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of our 2020 Form 10-K.

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

COVID-19 Pandemic

We have implemented a variety of measures to attempt to minimize the impact of the ongoing COVID-19 pandemic on our business, to ensure the availability and functioning of our critical infrastructure and to promote the safety and security of our employees. These measures have included remote working arrangements for nearly all of our workforce since March 2020 and safety protocols for any on-site personnel in accordance with federal, state and local regulations. Based on recent guidance from governmental authorities and health experts, we expect to begin to bring our employees back to certain offices later this year, starting with volunteers. Incremental costs of these remote working arrangements have not been material, though such arrangements have increased the risk of cybersecurity incidents as individuals have been working through less secure network connections.

While the pandemic has not had a material impact on our results of operations so far, the extent to which it may impact our future results and operations will depend on future developments, including: i) the duration of the virus; ii) the widespread distribution and long-term efficacy of vaccines and the availability of effective treatments; iii) the duration and parameters of global governmental measures put in place to control the spread of the virus; and iv) the continuing economic impact. 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.

Second Quarter Financial Highlights

Below are our key financial highlights for the three months ended June 30, 2021, with comparisons to the three months ended June 30, 2020.

- Total revenue of \$931.3 million, an increase of 15.5%, or approximately 14.3% on a constant currency basis⁽¹⁾.
- International revenue of \$317.2 million, an increase of 19.2%, or approximately 15.8% on a constant currency basis⁽¹⁾.
- Total bookings⁽²⁾ of \$1,054.8 million, an increase of 12.7%, or approximately 10.6% on a constant currency basis⁽¹⁾.
- Net income of \$46.9 million.
- Net cash provided by operating activities of \$209.4 million, an increase of 24.6%.

⁽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.

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.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue
Revenue:								
Domains	\$ 436.7	46.9 %	\$ 369.6	45.9 %	\$ 859.4	46.9 %	\$ 725.5	45.4 %
Hosting and presence	318.5	34.2 %	292.2	36.2 %	628.8	34.3 %	589.4	36.9 %
Business applications	176.1	18.9 %	144.6	17.9 %	344.2	18.8 %	283.5	17.7 %
Total revenue	931.3	100.0 %	806.4	100.0 %	1,832.4	100.0 %	1,598.4	100.0 %
Costs and operating expenses:								
Cost of revenue (excluding depreciation and amortization)	332.0	35.6 %	289.4	35.9 %	653.2	35.6 %	566.5	35.4 %
Technology and development	172.0	18.5 %	135.9	16.9 %	358.4	19.6 %	270.4	16.9 %
Marketing and advertising	126.5	13.6 %	104.4	12.9 %	259.2	14.1 %	197.5	12.4 %
Customer care	78.3	8.4 %	83.8	10.4 %	156.9	8.6 %	169.0	10.6 %
General and administrative	84.5	9.1 %	82.2	10.2 %	179.7	9.8 %	167.7	10.4 %
Restructuring charges	—	— %	39.4	4.9 %	—	— %	39.4	2.5 %
Depreciation and amortization	50.0	5.4 %	48.4	6.0 %	99.0	5.4 %	100.6	6.3 %
Total costs and operating expenses	843.3	90.6 %	783.5	97.2 %	1,706.4	93.1 %	1,511.1	94.5 %
Operating income	88.0	9.4 %	22.9	2.8 %	126.0	6.9 %	87.3	5.5 %
Interest expense	(32.6)	(3.5)%	(19.4)	(2.4)%	(61.3)	(3.4)%	(40.6)	(2.5)%
Tax receivable agreements liability adjustment	—	— %	(674.7)	(83.7)%	—	— %	(674.7)	(42.2)%
Other income (expense), net	(0.9)	(0.1)%	(1.1)	(0.1)%	(0.2)	— %	(2.5)	(0.2)%
Income (loss) before income taxes	54.5	5.8 %	(672.3)	(83.4)%	64.5	3.5 %	(630.5)	(39.4)%
Benefit (provision) for income taxes	(7.6)	(0.8)%	(0.9)	(0.1)%	(6.8)	(0.4)%	0.5	— %
Net income (loss)	46.9	5.0 %	(673.2)	(83.5)%	57.7	3.1 %	(630.0)	(39.4)%
Less: net income attributable to non-controlling interests	0.1	— %	—	— %	0.1	— %	0.3	— %
Net income (loss) attributable to GoDaddy Inc.	\$ 46.8	5.0 %	\$ (673.2)	(83.5)%	\$ 57.6	3.1 %	\$ (630.3)	(39.4)%

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 subscriptions 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 registrations and renewals, aftermarket domain sales and domain add-ons such as domain protection.

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:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Domains	\$ 436.7	\$ 369.6	\$ 67.1	18 %	\$ 859.4	\$ 725.5	\$ 133.9	18 %
Hosting and presence	318.5	292.2	26.3	9 %	628.8	589.4	39.4	7 %
Business applications	176.1	144.6	31.5	22 %	344.2	283.5	60.7	21 %
Total revenue	<u>\$ 931.3</u>	<u>\$ 806.4</u>	<u>\$ 124.9</u>	<u>15 %</u>	<u>\$1,832.4</u>	<u>\$1,598.4</u>	<u>\$ 234.0</u>	<u>15 %</u>

The 15.5% and 14.6% increases in total revenue for the three and six months ended June 30, 2021, respectively, were driven by growth in total customers and average revenue per user as well as contributions from recent acquisitions. The increase in customers impacted each of our revenue categories, as the additional customers purchased subscriptions across our product portfolio.

Domains

The 18.2% and 18.5% increases in domains revenue for the three and six months ended June 30, 2021, respectively, were primarily driven by the increase in domains under management from 80.9 million as of June 30, 2020 to 84.2 million as of June 30, 2021, increased aftermarket domain sales and contributions from recent acquisitions.

Hosting and presence

The 9.0% and 6.7% increases in hosting and presence revenue for the three and six months ended June 30, 2021, respectively, were primarily driven by increased demand for our website building and website security products as well as contributions from recent acquisitions, partially offset by lower demand for certain higher-priced subscriptions, such as GoDaddy Social.

Business applications

The 21.8% and 21.4% increases in business applications revenue for the three and six months ended June 30, 2021, respectively, were primarily driven by increased customer adoption of our productivity solutions.

Bookings

In addition to revenue, we also believe total bookings is a useful supplement in evaluating our performance and helps provide an enhanced understanding of our business:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Total bookings	\$1,054.8	\$ 936.3	\$ 118.5	13 %	\$2,143.5	\$1,887.4	\$ 256.1	14 %

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.

The 12.7% and 13.6% increases in total bookings for the three and six months ended June 30, 2021, respectively, were primarily driven by increases in total customers and domains under management, increased aftermarket domain sales, broadened customer adoption of non-domain products and contributions from recent acquisitions. Additionally, total bookings was favorably impacted by approximately 210 and 150 basis points for the three and six months ended June 30, 2021, respectively, due to movements in foreign currency exchange rates.

Reconciliation of bookings

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total bookings:				
Total revenue	\$ 931.3	\$ 806.4	\$ 1,832.4	\$ 1,598.4
Change in deferred revenue ⁽¹⁾	66.1	59.4	188.8	155.7
Net refunds	55.9	69.7	118.0	133.0
Other	1.5	0.8	4.3	0.3
Total bookings	<u>\$ 1,054.8</u>	<u>\$ 936.3</u>	<u>\$ 2,143.5</u>	<u>\$ 1,887.4</u>

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

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 TLD. 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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Cost of revenue (excluding depreciation and amortization)	\$ 332.0	\$ 289.4	\$ 42.6	15 %	\$ 653.2	\$ 566.5	\$ 86.7	15 %

The 14.7% and 15.3% increases in cost of revenue for the three and six months ended June 30, 2021, respectively, were primarily attributable to higher domain costs, which were driven by the increase in domains under management, increased aftermarket domain sales and costs associated with our recently acquired registry business, as well as 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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Technology and development	\$ 172.0	\$ 135.9	\$ 36.1	27 %	\$ 358.4	\$ 270.4	\$ 88.0	33 %

The 26.6% and 32.5% increases in technology and development expenses for the three and six months ended June 30, 2021, respectively, were primarily due to increased personnel costs driven by higher average headcount associated with our continued investment in product development as well as increased technology costs associated with the growth of our business and our migration to a cloud-based infrastructure. Additionally, in the six months ended June 30, 2021, we recorded approximately \$34.0 million in compensation expense resulting from our acquisitions, primarily Poynt.

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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Marketing and advertising	\$ 126.5	\$ 104.4	\$ 22.1	21 %	\$ 259.2	\$ 197.5	\$ 61.7	31 %

The 21.2% and 31.2% increases in marketing and advertising expenses for the three and six months ended June 30, 2021, respectively, were primarily attributable to increased discretionary spending associated with the marketing investments we made to drive additional growth.

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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Customer care	\$ 78.3	\$ 83.8	\$ (5.5)	(7)%	\$ 156.9	\$ 169.0	\$ (12.1)	(7)%

The 6.6% and 7.2% decreases in customer care expenses for the three and six months ended June 30, 2021, respectively, were primarily due to the headcount reductions related to the restructuring plan we implemented during the second quarter of 2020 as well as operating efficiencies gained as we scale our business and increase our use of alternative methods of customer interaction.

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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
General and administrative	\$ 84.5	\$ 82.2	\$ 2.3	3 %	\$ 179.7	\$ 167.7	\$ 12.0	7 %

The 2.8% and 7.2% increases in general and administrative expenses for the three and six months ended June 30, 2021, respectively, were primarily due to increased acquisition-related expenses and professional fees, partially offset by the reversal of equity-based compensation expense resulting from the forfeiture of unvested awards as a result of certain executive departures.

Restructuring charges

During the three months ended June 30, 2020, we recorded \$39.4 million in pre-tax restructuring charges pursuant to a restructuring plan implemented in June 2020, as further discussed in our 2020 Form 10-K.

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.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Depreciation and amortization	\$ 50.0	\$ 48.4	\$ 1.6	3 %	\$ 99.0	\$ 100.6	\$ (1.6)	(2)%

There were no material changes in depreciation and amortization.

Interest expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Interest expense	\$ 32.6	\$ 19.4	\$ 13.2	68 %	\$ 61.3	\$ 40.6	\$ 20.7	51 %

The 68.0% and 51.0% increases in interest expense for the three and six months ended June 30, 2021, respectively, were primarily driven by the issuance of the 2027 Term Loans in August 2020 and the 2029 Senior Notes in February 2021, as further discussed in Note 9 to our financial statements, partially offset by a decrease in the effective interest rate on our variable rate borrowings.

Tax receivable agreements liability adjustment

During the three months ended June 30, 2020, we recorded a \$674.7 million charge related to the settlement of our prior tax receivable agreements, as further described in our 2020 Form 10-K.

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, 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, primarily to fund acquisitions, share repurchases and the settlement of our prior tax receivable agreements. 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, potential business disruptions associated with the ongoing 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. 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 consists of the Credit Facility and the senior notes. In February 2021, we issued the \$800.0 million 2029 Senior Notes, which bear interest at 3.50%. The proceeds were retained for general corporate purposes, which may include working capital, capital expenditures and potential acquisitions and strategic transactions. In addition, in March 2021, we refinanced the 2027 Term Loans to lower the interest rate margins by 0.5%. 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 June 30, 2021, we were in compliance with all such covenants and had no amounts drawn on our Revolver.

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.

Share Repurchases

In May 2021, our board of directors approved the repurchase of up to an additional \$775.0 million of our Class A common stock, as described in Note 5 to our financial statements. During the six months ended June 30, 2021, we repurchased a total of 3,500 shares of our Class A common stock for an aggregate purchase price of \$275.9 million, including commissions. As of the date of this filing, we have \$999.2 million remaining available for repurchases.

Acquisitions

In February 2021, we completed the acquisition of Poynt for \$297.1 million in cash consideration to expand our commerce capabilities. At closing, we also paid an additional \$29.4 million in cash that was recorded as compensation expense during the three months ended March 31, 2021. The acquisition agreements also call for \$45.0 million in additional compensatory cash payments subject to certain performance and employment conditions over the three year period following the closing date. See Note 3 to our financial statements for additional discussion.

In April 2021, we executed agreements to purchase a number of TLDs for aggregate consideration of approximately \$200.0 million in cash, subject to customary adjustments. In July 2021, we completed a portion of these purchases for aggregate cash paid at closing of approximately \$77.0 million. See Note 17 to our financial statements for additional discussion.

Cash Flows

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

	Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 430.7	\$ 401.4
Net cash used in investing activities	(359.9)	(196.6)
Net cash provided by (used in) financing activities	539.6	(494.0)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.9)
Net increase (decrease) in cash and cash equivalents	<u>\$ 610.0</u>	<u>\$ (290.1)</u>

Operating Activities

Our primary source of cash from operating activities has been cash collections from our customers. Our primary uses of cash from operating activities have been for domain registration costs paid to registries, software licensing fees related to third-party productivity solutions, personnel costs, discretionary marketing and advertising costs, technology and development costs and interest payments.

Net cash provided by operating activities increased \$29.3 million from \$401.4 million during the six months ended June 30, 2020 to \$430.7 million during the six months ended June 30, 2021, primarily driven by our bookings growth. This increase was partially offset by \$29.4 million in compensatory payments made in connection with the closing of our acquisition of Poynt as well as increased discretionary spending associated with the marketing investments we made to drive additional growth.

Investing Activities

Our investing activities generally consist of strategic acquisitions and purchases of property and equipment to support the overall growth of our business and our increased international presence.

Net cash used in investing activities increased \$163.3 million from \$196.6 million during the six months ended June 30, 2020 to \$359.9 million during the six months ended June 30, 2021, primarily driven by a \$130.2 million increase in spending for business acquisitions and a \$23.7 million sale of short-term investments in 2020.

Financing Activities

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

Net cash from financing activities increased \$1,033.6 million from \$494.0 million used during the six months ended June 30, 2020 to \$539.6 million provided during the six months ended June 30, 2021, primarily due to \$800.0 million in proceeds from the issuance of the 2029 Senior Notes and a \$265.8 million decrease in share repurchases.

Deferred Revenue

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

Off-Balance Sheet Arrangements

As of June 30, 2021 and December 31, 2020, 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 discussed in our 2020 Form 10-K. We review our critical accounting policies and estimates with the audit and finance committee of our board of directors on an annual basis.

There have been no material changes in our critical accounting policies from those disclosed in our 2020 Form 10-K.

Recent Accounting Pronouncements

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

Item 3. 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 June 30, 2021.

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. 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 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; such amounts were not material during the period. 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 the three months ended June 30, 2021, total bookings growth in constant currency would have been approximately 210 basis points lower and total revenue growth would have been approximately 120 basis points lower. 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 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. As of June 30, 2021, the realized and unrealized losses included in AOCI related to designated hedges were \$9.5 million and \$5.2 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 €1,190.5 million as of June 30, 2021 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 \$1,794.9 million as of June 30, 2021. 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 \$742.5 million as of June 30, 2021. These borrowings bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.0% per annum or (b) 1.0% 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, which matures on April 3, 2022, had a notional amount of \$1,269.1 million as of June 30, 2021.

In August 2020, 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 \$742.5 million as of June 30, 2021.

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 4. 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 Quarterly Report on Form 10-Q.

Based on this evaluation, our CEO and CFO concluded that, as of June 30, 2021, 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 Securities and Exchange Commission's (SEC) 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 June 30, 2021 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.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is provided in Note 12 to our financial statements included in Part 1, Item 1 of this Form 10-Q, and is incorporated herein by reference.

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. 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, 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, several registry businesses including 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 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 acquisitions of Over, Uniregistry's registrar and brokerage business, several registry businesses including Neustar, 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 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, have been working remotely, which could negatively affect our culture. We expect to begin to bring our employees back to certain offices later this year, starting with volunteers, 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 Amazon Web Services (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 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, especially in a competitive labor market, 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 May 1, 2021, we announced the appointment of our new Chief Financial Officer, effective as of June 2, 2021, and our new Chief Legal Officer, effective as of July 12, 2021. We may face challenges in the transition and integration of these executive officers. 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. We expect to begin to bring our employees back to certain offices later this year, starting with volunteers. We may experience difficulties onboarding new employees, managing employees and maintaining our culture while we work remotely and plan for our return-to-office.

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, 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 acquisition of Poynt 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, 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. 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 Communications Decency Act (CDA) and Digital Millennium Copyright Act (DMCA);

- ICANN could fail to maintain its role, potentially resulting in instability in DNS services administration and operation;

- our recent acquisition of several registry businesses, 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 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. Other states have enacted or are considering similar legislation. 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 were recently updated in June 2021. 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. In June 2021, the European Commission adopted an adequacy decision for data transfers from the E.U. to the U.K. Nevertheless, this adequacy decision may be revisited and 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 DMCA, which provides recourse for owners of copyrighted material whose rights under U.S. copyright law have been infringed on the Internet; the 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 acquirer 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. 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 June 30, 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 has approved the repurchase of shares of our Class A common stock. In May 2021, our board of directors approved the repurchase of up to an additional \$775.0 million of our Class A common stock. As of the date of this filing, we have approximately \$1.0 billion remaining available for repurchases. 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. Based on recent guidance from governmental authorities and health experts, we expect to begin to bring our employees back to certain offices later this year, starting with volunteers. 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 general macro-economic conditions, 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share repurchases during the three months ended June 30, 2021 were as follows:

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (in thousands)	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs (in millions)
April 1 - April 30	956	\$ 84.54	956	
May 1 - May 31	—	N/A	—	
June 1 - June 30	—	N/A	—	
Total	956		956	\$ 999.2

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1 ⁺	Offer Letter between GoDaddy.com, LLC and Mark McCaffrey, dated May 1, 2021	8-K	001-36904	10.1	5/5/2021
10.2 ⁺	Offer Letter between GoDaddy.com, LLC and Michele Lau, dated May 1, 2021	8-K	001-36904	10.2	5/5/2021
10.3 ⁺	Form of Change in Control and Severance Agreement dated May 1, 2021	8-K	001-36904	10.3	5/5/2021
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.

* Filed herewith.

** The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements 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: August 4, 2021

/s/ Mark McCaffrey

Mark McCaffrey
Chief Financial Officer