



GoDaddy Inc. Q2 2024 Financial Results Prepared Remarks

## **Aman Bhutani, GoDaddy Chief Executive Officer**

### **Intro**

Good afternoon and thank you for joining us today. At GoDaddy, our mission is to empower everyday entrepreneurs and make opportunity more inclusive for all. Our customers are a constant source of inspiration. One customer, who has been with us for over 10 years, runs a recruiting services company, wrote to us recently and said, “In today's business environment, having partners that add real value is easier said than done. I'm happy to have GoDaddy on my extended business team.” That is our goal – to be the extended team for millions of micro businesses.

### **Q2 Performance Summary**

Our strategy is relentlessly focused on creating customer value and transforming it to shareholder value through better conversion, attach and retention. Our profitable growth model drives our North Star to maximize free cash flow over the long term. The GoDaddy team is executing against this plan to drive innovation and operational efficiency, leading to our strong Q2 results. This includes meaningfully expanding free cash flow, delivering 35 percent growth. Additionally, Applications and Commerce bookings grew 24 percent and Normalized EBITDA margin expanded more than 400 basis points.

### **Key Initiatives Driving Growth and Margin**

Our key growth and margin initiatives are driven by the innovation powered by the GoDaddy software platform. Our aspiration is to deliver seamless intuitive experiences that start to be magical, and this is fueled by GoDaddy's unique scale and data. GoDaddy Airo™, our AI-powered experience, is one of the results of this aspiration. I am excited about Airo's ability to re-invent multiple interactions with our customers – from domain search to insights on how they can improve their websites to growing their businesses. Airo is now rolled out to all new and existing customers across our English-speaking markets and it is poised for further expansion into over 90 countries in the coming months. Airo has already transformed the experience for our new customers. In Q2, we passed an exciting milestone – over one million new customers have discovered Airo and over half a million of them actively engaged with the experience.

With strong traction on discovery and engagement with new customers, the focus has moved to monetization with them. One example is the rollout of a paywall for a full website immediately after Airo has built a Coming Soon page. This rollout followed a limited controlled experiment in which Websites + Marketing conversions improved by 12 percent. Early data also shows that Airo leads to better product retention, which we will begin to understand more fully as these cohorts enter their renewal periods in the coming quarters.

In parallel we are building the engine to connect Airo with our existing base of 21 million customers. Our approach here is a different go-to-market motion, but the goal is same – discovery, then engagement and then monetization. As we shared at our investor day, monetization of our base with Airo represents one of the larger future opportunities for GoDaddy.

We are also investing more in GABI, our internal AI-powered Guide Assist Bot, which can now communicate in over 60 languages. Now rolled out globally, GABI is helping our guides work and serve customers more efficiently.

While our investments in Airo and GABI are about the future, 2024 growth continues to be driven by our key initiatives, Pricing and Bundling, Seamless Experiences and Commerce.

**Pricing and bundling** continued to drive growth, led by productivity, and was a significant contributor to the growth in Applications and Commerce bookings. We have started to apply our platform data, machine learning and experimentation capabilities to the next set of product bundles as we look at opportunities for next year and beyond.

Our **Seamless Experience** initiative over-performed versus our expectations as we removed friction in both the purchase and renewal paths across multiple products. At our scale, small improvements in conversion and renewal rates through better user experiences and robust technology provides measurable financial results. In our continued effort to take weight away from our customers, we expanded the use of AI generated content. For example, in Managed WordPress, we have optimized templates and enhanced models to generate content for multiple pages, making it easier for customers to build and publish websites.

On **Commerce**, we are delivering on our 2024 target of driving higher-margin subscription revenue with the recent launch of two new SaaS plans – Point-Of-Sale Plus and Invoicing Plus. These plans offer premium features and discounted transaction fees to merchants. They drive value for our customers by offering tools that simplify their operations, including real-time inventory management, online ordering and customizable branded templates for invoices and emails. Annualized GPV also continued to grow at a fast pace with the primary driver again being conversion within our existing base of customers.

## **Closing Remarks**

In closing, we continue to deliver on our key initiatives, unlocking new avenues of growth and value creation for the long term. The GoDaddy team shares an unwavering determination to fearlessly push boundaries and prioritize, continuously experiment, meticulously track results and aim for improvement each day. I am thrilled with the speed of execution as we continue striving to exceed customer expectations, propel profitable growth and create enduring shareholder value.

With that, here's Mark.

## **Mark McCaffrey, GoDaddy Chief Financial Officer**

Thanks Aman. We are pleased to announce our strong Q2 results, which demonstrate our commitment to execution and continued progress toward our North Star of maximizing free cash flow over the long term. Our North Star continues to be bolstered by two key pillars: sustained double-digit revenue growth in our Applications and Commerce segment, increasing 15 percent in the second quarter, and further expansion of our Normalized EBITDA margin to 29 percent. We continued to build on our strong track record here, delivering free cash flow of \$323 million in the quarter. We also continued to implement our disciplined capital allocation strategy focusing on share buybacks and reducing our fully diluted shares outstanding at the end of the quarter to 145 million.

We remain laser-focused on providing value for our customers by delivering seamless experiences that are easy-to-use, driving better attach, conversion and retention. At the same

time, we continue to refine our operations to deliver profitable growth while investing in exciting initiatives such as Airo, which will provide benefits for years to come.

## **Q2 2024 Results**

Moving to our financial results for the quarter, total revenue grew to \$1.1 billion, up 7 percent on a reported and constant currency basis, exceeding the high end of our guided range for the quarter. ARPU grew 6 percent to \$210 on a trailing twelve-month basis. Our customer count declined slightly to 20.9 million, reflecting the expected headwinds from our proactive divestiture and migration efforts that also impacted revenue by approximately 100 basis points. Meanwhile, our customer retention rate is an impressive 85 percent and over 50 percent of GoDaddy's customers have two or more products with us.

For our high-margin Applications and Commerce segment, we drove 24 percent growth in bookings and 15 percent growth in revenue to \$406 million, delivering at the high end of our guided range. Growth in revenue and bookings was largely due to the continued strong performance of our growth initiatives across all major Applications and Commerce product offerings, particularly our productivity solutions. The segment EBITDA margin improved to 44 percent. In addition, ARR for Applications and Commerce grew 14 percent to \$1.5 billion.

Our Core Platform segment delivered bookings growth of 4 percent and revenue growth of 3 percent to \$719 million, in line with our guided range. Core Platform's performance this quarter reflected continued strength in both primary Domains, up 7 percent, and Aftermarket, up 10 percent, partially offset by hosting divestitures. Segment EBITDA margin for Core Platform grew to 31 percent. Lastly, ARR for our Core Platform segment was \$2.3 billion, up 2 percent.

One quick update on domains under management. This quarter, in connection with the work related to our brand migration efforts, we determined that domains under management were overstated at the end of Q4 2023 by approximately 1.4 million domains, primarily related to European TLDs. Following correction of this disclosure, coupled with the impact from the divestiture completed at the end of Q1, domains under management as of June 30<sup>th</sup> were approximately 82.1 million domains. While we understand this metric may be closely followed, this is not a key operating or financial metric, and it does not impact our forecast or progress towards our North Star.

Moving to profitability, Normalized EBITDA grew 25 percent to \$332 million and delivered an expanded margin of 29 percent, up over 400 basis points and exceeding our guide.

## **Cash Generation**

On bookings, we delivered 11 percent growth in the second quarter on a reported and constant currency basis, achieving \$1.3 billion. As a reminder, bookings primarily represent the cash collected during the period. Subscription bookings grew over three points ahead of subscription revenue.

Unlevered free cash flow for the quarter grew 30 percent to \$369 million and free cash flow grew 35 percent to \$323 million. Capital expenditures were down 52 percent from data center divestitures.

Through July 30, we repurchased 4.1 million shares year-to-date totaling \$521 million. Cumulative shares repurchased under our current authorizations totaled \$3.1 billion and 38.3 million shares. We have \$915 million remaining under our current authorization. We have reduced gross shares outstanding since January 2022 by 23 percent, ahead of our three-year

targeted reduction of 20 percent. We had 145 million fully diluted shares outstanding at the end of the quarter.

As we have shared previously, we plan to be in the market every quarter—subject to market conditions and other factors, with a minimum offset to share-based compensation dilution.

## **Balance Sheet**

On our balance sheet, we finished Q2 with \$445 million in cash and total liquidity of \$1.4 billion. Net debt was \$3.4 billion, representing net leverage of 2.4 times on a trailing-twelve-month basis.

## **Outlook**

Shifting to our outlook, given our strong performance in the first half of the year, we are raising our full-year revenue guidance. We now expect the full year's revenue to be between \$4.525 and \$4.565 billion, representing growth of approximately 7 percent at the midpoint. We are targeting Q3 total revenue in the range of \$1.13 to \$1.15 billion, also representing growth of approximately 7 percent at the midpoint of our range. We are also raising our expectations for Applications and Commerce to deliver mid-teens growth for Q3 and the full year. In our Core Platform segment, we expect revenue to deliver low single-digit growth in the third quarter and the full year.

With our proven track record of margin expansion, we are committed to maintaining our operational discipline to drive further leverage in our model. We expect Normalized EBITDA margin for Q3 to be approximately 29 percent. Additionally, we remain on track to deliver a 31 percent Normalized EBITDA margin in Q4 and approximately 29 percent for the full year.

Given our nearly one-to-one Normalized EBITDA to free cash flow conversion ratio, we are also raising our unlevered free cash flow target to \$1.45 billion plus and free cash flow target to \$1.3 billion plus.

We remain committed to our disciplined capital allocation approach, and we will continue to evaluate all opportunities for shareholder return according to our rigorous returns-based framework.

## **Closing Remarks**

We have made impressive progress driving profitable growth in line with our North Star in the first half of 2024, and we remain dedicated to the path we laid out at our Investor Day, executing on our strategy with a combination of durable top line growth and expanded profitability. Our substantial cash generation, strong balance sheet and disciplined capital allocation framework are important pillars of our investment thesis that create enduring value for our shareholders.

### Forward Looking Statements

These remarks reference both GAAP and non-GAAP financial measures and other operating and business metrics. A discussion of why we use non-GAAP financial measures and reconciliations of our non-GAAP financial measures to their GAAP equivalents may be found in the presentation posted to our Investor Relations site at [investors.godaddy.net](https://investors.godaddy.net) or in today's earnings release on our Form 8-K furnished with the SEC. Growth rates represent year-over-year comparisons, unless otherwise noted.

These remarks include forward-looking statements, such as those related to future financial results and our strategies or objectives with respect to future operations. These forward-looking statements are subject to risks and uncertainties that are discussed in detail in our periodic SEC filings. Actual results may differ materially from those contained in forward-looking statements. Any forward-looking statements that we make in this presentation are based on assumptions as of August 1, 2024, and except to the extent required by law, we undertake no obligation to update these statements because of new information or future events.