



GoDaddy Inc. Q3 2024 Financial Results Prepared Remarks

Aman Bhutani, GoDaddy Chief Executive Officer

Intro & Q3 Performance Summary

Good afternoon and thank you all for joining us today. At GoDaddy, our mission is to empower everyday entrepreneurs and make opportunity more inclusive for all. Our strategy is relentlessly focused on creating customer value and transforming it to shareholder value through better conversion, attach and retention. This is the driving force behind our profitable growth model, propelling us towards our North Star of maximizing free cash flow over the long term. Our strong Q3 results demonstrate our effective execution of this strategy, delivering both innovation and operational efficiency. We drove meaningful growth in free cash flow, increasing 29 percent year-over-year and Applications and Commerce bookings were up 20 percent and Normalized EBITDA margin expanded by over 400 basis points.

Key Initiatives Driving Sustainable Growth and Margin

We are excited to share updates on our growth and margin initiatives driving success in 2024. Pricing & Bundling, Seamless Experience, Commerce and Cost Optimization are all ahead of schedule driving the strong results mentioned. The enthusiasm for GoDaddy Airo™ continues to vibrate within our teams and, along with an update today, we are looking forward to more live demos at our investor dinner in early December.

Pricing and Bundling continues to deliver solid results, with productivity-focused efforts remaining a key contributor to the 20 percent Applications & Commerce bookings growth this quarter. As we have said before, we view the Pricing and Bundling initiative as a multi-year journey that leverages our software platform's vast data and machine learning capabilities, allowing us to bundle solutions in a way that offers greater value to customers, with pricing aligned to the value delivered. While our efforts this year have been concentrated on productivity solutions, we will expand the initiative across more of our product suite, extending this initiative beyond the Applications & Commerce segment. Putting a finer point on this, this means the financial impact of pricing and bundling can favorably drive growth in both A&C and Core Platform segments, starting in Q4.

Our **Seamless Experience** initiative exceeded expectations as we continue to remove friction in the customer experience and improve purchase, onboarding and renewal paths. Given our scale, even modest improvements in conversion and renewal can yield meaningful results. In Managed WordPress, we added security enhancements for all new domains attached to the platform as well as expanded AI-powered features, making it easier for customers to build and manage their websites. Additionally, with the recent launch of the GoDaddy Digital Marketing Suite, we are giving customers an intuitive, all-in-one product to help grow and market their businesses, regardless of where their website is hosted. Features like these empower our customers to better acquire, engage and expand their own customer base.

For our **Commerce** initiative, we continue to enhance our offering by introducing new AI-powered features that simplify operations for merchants. The two new SaaS plans we launched last quarter, Point of Sale Plus and Invoicing Plus, have had positive adoption trends since being

fully rolled out. We have set aggressive attach targets, and the team is making progress against them.

Finally, within our **Cost Optimization** initiative, we augmented Care interactions in 20 international markets with our new Generative AI-powered conversational bot, providing our customers with better instant, self-service access to solutions for common issues. We found that use of this technology led to double digit improvement in containment rates, representing a savings of over 16 million incremental contact minutes without sacrificing customer satisfaction. We are excited with the progress on the conversational bot, and along with GABI, we expect these to continue to drive leverage in Care while delivering a better experience globally.

And **GoDaddy Airo™** is starting to provide a magical experience to customers that we aspire to provide across every interaction. It is a compelling proof point to our multiple-year journey to successfully leverage our software platform and unleash the combined power of our infrastructure, large-scale data, experimentation, AI and machine learning capabilities. With the capabilities of Airo, we evolved the domain to represent so much more—it is now a gateway to a true business-in-a-box experience, allowing our customers to go from idea to online in minutes.

Our teams are moving at a fast pace. Even before celebrating the one-year anniversary of the initial customer testing for Airo, it was available in over 180 countries globally. Nearly three million customers have discovered Airo, with over half of them engaging with the experience. We are pleased with the momentum in discovery and engagement, and just as exciting are the proof points we are driving in Airo monetization. With many months of data, we can clearly see that the largest engagement winner is website building. Over half of engaged users published a 'coming soon' page, which is a customizable one-page website.

Customers engaged with Airo are quickly becoming the largest funnel for Websites + Marketing with over 40% of Websites + Marketing paid subscriptions in Q3 originating with the Airo experience. Our goals with Airo are about discovery, engagement, and monetization, and with these large discovery and engagement numbers, and multiple paths to monetization, Airo is off to a great start.

And there is so much more we can do. Given the positive traction, we are eager to expand the Airo experience across all on-ramps at GoDaddy, and we plan to increase investment in marketing initiatives to support this broader launch. So far, the customer exposed to Airo starts with a domain purchase, and in the next few weeks, we will start rolling out Airo to customers that start with a website purchase. Just as websites have become the highest attach product for domains on Airo, we expect to drive attach with other products when every website customer starts with an Airo experience. This underscores our commitment to rapidly scaling products enabled by Airo as it continues to transform the customer experience and drive new avenues of growth.

We look forward to showing you more during our upcoming Investor Dinner event on December 3rd. We plan to showcase paid tiers for Airo with premium offerings like advanced logos and imagery, as well as AI-powered marketing tools to help our customers grow their businesses. Equally exciting, we will highlight our conversational experience to building and maintaining WordPress sites which re-images harnessing the power of WordPress through a simplified, intuitive, interface. We will also demo our Site Optimizer tool, which can inspect any website and provide actionable recommendations to improve performance with just a click. While these products themselves will be brand new, they represent our continued focus on leveraging AI and machine learning and our unique scale and data to deliver magical, seamless experiences for our customers. We are thrilled to give you a first look at these innovations that will drive our growth and success in the future.

Closing Remarks

In closing, we remain steadfastly focused on executing our key growth initiatives. I am delighted with the speed of execution and our relentless commitment to help our customers thrive. The GoDaddy team remains dedicated to propel profitable growth and create enduring shareholder value.

With that, here's Mark.

Mark McCaffrey, GoDaddy Chief Financial Officer

Thanks Aman. We delivered strong Q3 results, demonstrating our disciplined execution of the strategy we shared at our recent Investor Day. Our focus on building increasing customer lifetime value through developing and delivering seamless technology that drives conversion, attach and retention is demonstrated in our financial results. In the third quarter, we drove sustained double-digit A&C revenue growth, increasing 16 percent, as well as impressive Normalized EBITDA margin expansion to 32 percent. We made progress toward our North Star, growing free cash flow 29 percent to \$363 million. In addition, we continued to execute our disciplined capital allocation strategy, which focused on share buybacks, reducing our fully diluted shares outstanding to 144 million.

Q3 2024 Results

Total revenue grew to \$1.15 billion, up 7 percent on a reported and constant currency basis.

For our high-margin A&C segment, we drove 20 percent growth in bookings and 16 percent growth in revenue to \$423 million, in line with our guided range, on strong performance of the growth initiatives Aman spoke about earlier. The segment EBITDA margin for A&C improved to 46 percent on the strength of our high gross margin proprietary solutions, partially offset by the strong performance and lower gross margin profiles of our Commerce offerings and third-party solutions. A&C's segment EBITDA was also boosted by significant leverage gains across all operating expenses. Our proactive efforts to simplify our infrastructure and recruit global talent were the main driving factors behind this strength. In addition, ARR for Applications and Commerce grew 15 percent to \$1.6 billion.

We delivered \$725 million in revenue for our Core Platform segment, representing growth in revenue and bookings of 3 percent, in line with our guided range. Performance this quarter reflected the strength in primary Domains, partially offset by hosting divestitures and end of life migrations. Segment EBITDA margin for Core Platform grew to 33 percent and ARR for our Core Platform segment grew 4 percent to \$2.4 billion.

ARPU grew 8 percent to \$215 on a trailing twelve-month basis while our customer count declined slightly to 20.7 million. With the previously mentioned divestiture and migration efforts behind us, we expect to return to customer growth in 2025. Currently, our consolidated customer retention rate remains at 85 percent, and over 50 percent of our customers have two or more paid products with us.

Moving to profitability, we drove expansion in **Normalized EBITDA** in the third quarter, growing 24 percent to \$367 million and delivering an expanded margin of 32 percent, up over 400 basis points. This was driven by the gross margin tailwind noted above, coupled with operational discipline that drove leverage in our P&L. The front-loaded benefits of our 2023 restructuring, infrastructure simplification and global talent recruitment are evident and we are pleased with these accomplishments. As we look forward, we remain on track to deliver our Investor Day target of approximately 33 percent by 2026. Additionally, as we look to the upcoming quarters,

we expect to increase investment in marketing to support a broader launch of our Airo-enabled solutions to showcase our top-rated AI website builder and capture consumer demand.

Cash Generation

On **bookings**, we delivered \$1.2 billion in the third quarter, representing 9 percent growth on both a reported and constant currency basis. As a reminder, bookings primarily represent the cash collected during the period. Subscription bookings grew two points ahead of subscription revenue.

Unlevered free cash flow for the quarter grew 25 percent to \$399 million and **free cash flow** grew 29 percent to \$363 million. Capital expenditures were down approximately 46 percent because of data center divestitures.

Through October 28, we repurchased 5.2 million shares year-to-date totaling \$668 million. We repurchased 39.4 million shares for \$3.2 billion under our current authorizations, and we have \$767 million remaining. We drove a 23 percent reduction in gross shares outstanding since January 2022, three points ahead of our three-year targeted reduction of 20 percent. At the quarter end, 144 million fully diluted shares remained outstanding.

Balance Sheet

On our balance sheet, we finished Q3 with \$767 million in cash and total liquidity of \$1.8 billion. Net debt was \$3.1 billion, representing a net leverage of 2 times on a trailing-twelve-month basis.

Outlook

Pivoting to our outlook, we are raising the full year revenue guide to \$4.545 to \$4.565 billion, representing growth of approximately 7 percent at the midpoint of our range. For the fourth quarter, we are targeting revenue between \$1.165 and \$1.185 billion, also representing growth of approximately 7 percent at the midpoint.

In Applications and Commerce, we expect mid-teens revenue growth for Q4 and the full year. In Core Platform, we expect low single-digit revenue growth in the fourth quarter and the full year.

As our track record demonstrates, we are committed to maintaining our operational discipline, driving further operational leverage in our model and expanding margins. Including the additional marketing investment we expect to make in the fourth quarter, we remain on course to deliver a 31 percent Normalized EBITDA margin. Given our year-to-date performance, we are also raising our full year Normalized EBITDA expectation to 30 percent.

Keeping in mind our nearly one-to-one Normalized EBITDA to free cash flow conversion ratio, we are also raising our unlevered free cash flow target to \$1.475 billion plus and free cash flow of \$1.325 billion plus for the full year.

Our disciplined capital allocation approach remains unchanged, and we will evaluate all opportunities for shareholder return according to our rigorous and returns-based framework.

Closing Remarks

We are committed to the path we outlined at our Investor Day, executing our strategy to deliver both durable top-line growth and expanded profitability as we drive toward our North Star. Our robust cash generation, strong balance sheet and capital allocation framework underpin our

investment thesis and power our ability to create enduring value for our shareholders. We are pleased with our progress towards our Investor Day target of \$4.5 billion plus in cumulative free cash flow generation, supported by six to eight percent annual revenue growth and expansion of Normalized EBITDA margin to 33 percent by 2026. Lastly, we look forward to welcoming you to our annual Investor Dinner on December 3rd in our new Tempe, Arizona headquarters.

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 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 October 30, 2024, and except to the extent required by law, we undertake no obligation to update these statements because of new information or future events.