

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 September 30, 2019
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)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 November 1, 2019, there were 170,744,947 shares of GoDaddy Inc.'s Class A common stock, \$0.001 par value per share, outstanding and 1,527,271 shares of GoDaddy Inc.'s Class B common stock, \$0.001 par value per share, outstanding.

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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," "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;
- 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;
- 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;
- the amount and timing of any payments we make under tax receivable agreements (TRAs) or for tax distributions;
- the future trading prices of our Class A common stock;
- our expectations regarding the outcome of any litigation;
- the amount and timing of any repurchases of our Class A common stock under our share repurchase programs;

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

NOTE ABOUT FORWARD-LOOKING STATEMENTS (continued)

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). We refer to Kohlberg Kravis Roberts & Co. L.P., together with its affiliates, as KKR. We refer to Silver Lake Partners, together with its affiliates, as SLP.

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)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 966.7	\$ 932.4
Short-term investments	23.5	18.9
Accounts and other receivables	29.0	26.4
Registry deposits	22.5	28.3
Prepaid domain name registry fees	382.7	363.2
Prepaid expenses and other current assets	60.2	58.1
Total current assets	1,484.6	1,427.3
Property and equipment, net	255.4	299.0
Operating lease assets	190.4	—
Prepaid domain name registry fees, net of current portion	182.1	183.6
Goodwill	2,932.2	2,948.0
Intangible assets, net	1,108.6	1,211.5
Other assets	14.3	14.0
Total assets	\$ 6,167.6	\$ 6,083.4
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 71.4	\$ 61.6
Accrued expenses and other current liabilities	338.9	414.3
Deferred revenue	1,539.9	1,393.7
Long-term debt	19.1	16.6
Total current liabilities	1,969.3	1,886.2
Deferred revenue, net of current portion	656.2	623.8
Long-term debt, net of current portion	2,383.1	2,394.2
Operating lease liabilities, net of current portion	184.0	—
Payable to related parties pursuant to tax receivable agreements	175.3	174.3
Other long-term liabilities	19.4	63.2
Deferred tax liabilities	100.4	117.2
Commitments and contingencies		
Stockholders' equity:		
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; 171,422 and 168,549 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	0.2	0.2
Class B common stock, \$0.001 par value - 500,000 shares authorized; 1,529 and 6,254 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	—	—
Additional paid-in capital	921.2	699.8
Retained earnings (accumulated deficit)	(155.0)	164.8
Accumulated other comprehensive loss	(98.5)	(72.1)
Total stockholders' equity attributable to GoDaddy Inc.	667.9	792.7
Non-controlling interests	12.0	31.8
Total stockholders' equity	679.9	824.5
Total liabilities and stockholders' equity	\$ 6,167.6	\$ 6,083.4

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Domains	\$ 345.3	\$ 309.5	\$ 999.3	\$ 906.0
Hosting and presence	285.0	263.2	833.7	747.6
Business applications	130.2	106.8	374.7	310.7
Total revenue	760.5	679.5	2,207.7	1,964.3
Costs and operating expenses ⁽¹⁾ :				
Cost of revenue (excluding depreciation and amortization)	265.0	226.9	756.0	663.5
Technology and development	116.4	112.2	367.6	319.3
Marketing and advertising	79.6	70.1	260.2	212.0
Customer care	86.0	81.8	263.9	238.5
General and administrative	72.2	89.7	270.0	247.1
Depreciation and amortization	49.9	61.3	160.9	176.1
Total costs and operating expenses	669.1	642.0	2,078.6	1,856.5
Operating income	91.4	37.5	129.1	107.8
Interest expense	(22.9)	(25.0)	(70.4)	(73.5)
Tax receivable agreements liability adjustment	—	—	8.7	(0.1)
Loss on debt extinguishment	—	—	(14.5)	—
Other income (expense), net	5.6	0.7	17.0	1.9
Income before income taxes	74.1	13.2	69.9	36.1
Benefit for income taxes	2.7	0.9	7.4	2.4
Net income	76.8	14.1	77.3	38.5
Less: net income attributable to non-controlling interests	0.6	0.9	0.8	3.9
Net income attributable to GoDaddy Inc.	\$ 76.2	\$ 13.2	\$ 76.5	\$ 34.6
Net income attributable to GoDaddy Inc. per share of Class A common stock:				
Basic	\$ 0.44	\$ 0.08	\$ 0.44	\$ 0.23
Diluted	\$ 0.42	\$ 0.08	\$ 0.42	\$ 0.21
Weighted-average shares of Class A common stock outstanding:				
Basic	174,820	162,359	173,957	151,015
Diluted	181,654	182,392	182,926	180,938
⁽¹⁾ Costs and operating expenses include equity-based compensation as follows:				
Cost of revenue	\$ 0.1	\$ —	\$ 0.3	\$ —
Technology and development	10.6	14.5	50.9	41.8
Marketing and advertising	2.3	2.4	10.7	7.4
Customer care	1.5	1.4	6.7	3.9
General and administrative	3.2	12.3	37.6	37.2
Total equity-based compensation	\$ 17.7	\$ 30.6	\$ 106.2	\$ 90.3

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 76.8	\$ 14.1	\$ 77.3	\$ 38.5
Foreign exchange forward contracts gain (loss), net	2.0	1.1	2.8	8.1
Unrealized swap gain (loss), net	9.6	3.5	(1.5)	15.1
Change in foreign currency translation adjustment	7.7	(2.8)	14.0	0.8
Comprehensive income	96.1	15.9	92.6	62.5
Less: comprehensive income attributable to non-controlling interests	0.8	0.9	1.4	8.2
Comprehensive income attributable to GoDaddy Inc.	\$ 95.3	\$ 15.0	\$ 91.2	\$ 54.3

See accompanying notes to condensed consolidated financial statements.

GoDaddy Inc.
Condensed Consolidated Statement of Stockholders' Equity (unaudited)
(In millions, except share amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2018	168,549	\$ 0.2	6,254	\$ —	\$ 699.8	\$ 164.8	\$ (72.1)	\$ 31.8	\$ 824.5
Impact of adoption of lease accounting standard	—	—	—	—	—	3.3	—	—	3.3
Net income	—	—	—	—	—	12.9	—	0.3	13.2
Equity-based compensation	—	—	—	—	46.9	—	—	—	46.9
Sales of Class A common stock, net of issuance costs	8	—	—	—	—	—	—	—	—
Stock option exercises	894	—	—	—	18.3	—	—	(0.7)	17.6
Exchanges of LLC Units	4,601	—	(4,601)	—	8.5	—	(2.6)	(5.9)	—
Liability pursuant to tax receivable agreements resulting from exchanges of LLC Units	—	—	—	—	(9.7)	—	—	—	(9.7)
Impact of derivatives, net	—	—	—	—	—	—	(0.2)	—	(0.2)
Change in foreign currency translation adjustment	—	—	—	—	—	—	27.8	—	27.8
Attribution of AOCI to non-controlling interests	—	—	—	—	—	—	(0.7)	0.7	—
Vesting of restricted stock units	1,063	—	—	—	—	—	—	—	—
Adjustment to prior period non-controlling interests allocations	—	—	—	—	51.7	—	(38.5)	(13.2)	—
Balance at March 31, 2019	175,115	0.2	1,653	—	815.5	181.0	(86.3)	13.0	923.4
Net loss	—	—	—	—	—	(12.6)	—	(0.1)	(12.7)
Equity-based compensation	—	—	—	—	41.6	—	—	—	41.6
Stock option exercises	867	—	—	—	20.1	—	—	(0.7)	19.4
Issuance of Class A common stock under ESPP	303	—	—	—	16.6	—	—	—	16.6
Exchanges of LLC Units	87	—	(87)	—	0.3	—	—	(0.3)	—
Impact of derivatives, net	—	—	—	—	—	—	(10.1)	—	(10.1)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(21.5)	—	(21.5)
Attribution of AOCI to non-controlling interests	—	—	—	—	—	—	0.3	(0.3)	—
Vesting of restricted stock units	355	—	—	—	—	—	—	—	—
Balance at June 30, 2019	176,727	0.2	1,566	—	894.1	168.4	(117.6)	11.6	956.7

GoDaddy Inc.
Condensed Consolidated Statement of Stockholders' Equity (unaudited) (continued)
(In millions, except share amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Net income	—	—	—	—	—	76.2	—	0.6	76.8
Equity-based compensation	—	—	—	—	17.7	—	—	—	17.7
Stock option exercises	425	—	—	—	9.3	—	—	(0.3)	9.0
Repurchases of Class A common stock	(6,166)	—	—	—	—	(399.6)	—	—	(399.6)
Exchanges of LLC Units	37	—	(37)	—	0.1	—	—	(0.1)	—
Impact of derivatives, net	—	—	—	—	—	—	11.6	—	11.6
Change in foreign currency translation adjustment	—	—	—	—	—	—	7.7	—	7.7
Attribution of AOCI to non-controlling interests	—	—	—	—	—	—	(0.2)	0.2	—
Vesting of restricted stock units	399	—	—	—	—	—	—	—	—
Balance at September 30, 2019	171,422	\$ 0.2	1,529	\$ —	\$ 921.2	\$ (155.0)	\$ (98.5)	\$ 12.0	\$ 679.9

GoDaddy Inc.
Condensed Consolidated Statement of Stockholders' Equity (unaudited) (continued)
(In millions, except share amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2017	132,993	\$ 0.1	35,006	\$ —	\$ 484.4	\$ 87.7	\$ (85.7)	\$ 60.0	\$ 546.5
Net income	—	—	—	—	—	3.3	—	0.9	4.2
Equity-based compensation	—	—	—	—	31.5	—	—	—	31.5
Stock option exercises	1,632	—	—	—	24.4	—	—	(3.7)	20.7
Exchanges of LLC Units	12,925	—	(12,925)	—	11.8	—	—	(11.8)	—
Liability pursuant to tax receivable agreements resulting from exchanges of LLC Units	—	—	—	—	(14.5)	—	—	—	(14.5)
Impact of derivatives, net	—	—	—	—	—	—	2.3	—	2.3
Change in foreign currency translation adjustment	—	—	—	—	—	—	5.6	—	5.6
Attribution of AOCI to non-controlling interests	—	—	—	—	—	—	(2.6)	2.6	—
Vesting of restricted stock units	809	—	—	—	—	—	—	—	—
Balance at March 31, 2018	148,359	0.1	22,081	—	537.6	91.0	(80.4)	48.0	596.3
Net income	—	—	—	—	—	18.1	—	2.1	20.2
Equity-based compensation	—	—	—	—	28.2	—	—	—	28.2
Stock option exercises	1,020	0.1	—	—	16.1	—	—	(1.2)	15.0
Issuance of Class A common stock under ESPP	286	—	—	—	11.9	—	—	—	11.9
Exchanges of LLC Units	8,175	—	(8,175)	—	7.9	—	—	(7.9)	—
Liability pursuant to tax receivable agreements resulting from exchanges of LLC Units	—	—	—	—	(11.6)	—	—	—	(11.6)
Impact of derivatives, net	—	—	—	—	—	—	16.3	—	16.3
Change in foreign currency translation adjustment	—	—	—	—	—	—	(2.0)	—	(2.0)
Attribution of AOCI to non-controlling interests	—	—	—	—	—	—	(1.7)	1.7	—
Vesting of restricted stock units	258	—	—	—	—	—	—	—	—
Balance at June 30, 2018	158,098	0.2	13,906	—	590.1	109.1	(67.8)	42.7	674.3

GoDaddy Inc.
Condensed Consolidated Statement of Stockholders' Equity (unaudited) (continued)
(In millions, except share amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interest	Total
	Shares	Amount	Shares	Amount					
Net income	—	—	—	—	—	13.2	—	0.9	14.1
Equity-based compensation	—	—	—	—	30.6	—	—	—	30.6
Stock option exercises	988	—	—	—	20.4	—	—	(1.3)	19.1
Sales of Class A common stock, net of issuance costs	8	—	—	—	—	—	—	—	—
Exchanges of LLC Units	7,587	—	(7,587)	—	8.2	—	—	(8.2)	—
Liability pursuant to tax receivable agreements resulting from exchanges of LLC Units	—	—	—	—	(10.1)	—	—	—	(10.1)
Impact of derivatives, net	—	—	—	—	—	—	4.6	—	4.6
Change in foreign currency translation adjustment	—	—	—	—	—	—	(2.8)	—	(2.8)
Vesting of restricted stock units	247	—	—	—	—	—	—	—	—
Balance at September 30, 2018	166,928	\$ 0.2	6,319	\$ —	\$ 639.2	\$ 122.3	\$ (66.0)	\$ 34.1	\$ 729.8

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net income	\$ 77.3	\$ 38.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	160.9	176.1
Equity-based compensation	106.2	90.3
Loss on debt extinguishment	14.5	—
Other	12.7	(9.8)
Changes in operating assets and liabilities, net of amounts acquired:		
Registry deposits	5.5	9.5
Prepaid domain name registry fees	(20.1)	(23.0)
Deferred revenue	182.8	168.5
Other operating assets and liabilities	21.4	(18.8)
Net cash provided by operating activities	561.2	431.3
Investing activities		
Purchases of short-term investments	(64.1)	(6.9)
Maturities of short-term investments	59.9	18.4
Business acquisitions, net of cash acquired	(40.3)	(147.2)
Purchases of property and equipment	(71.1)	(49.5)
Other investing activities	(1.8)	(10.1)
Net cash used in investing activities	(117.4)	(195.3)
Financing activities		
Proceeds received from:		
Issuance of Senior Notes	600.0	—
Stock option exercises	46.0	54.8
Issuance of Class A common stock under ESPP	16.6	11.9
Payments made for:		
Repayment of term loans	(618.7)	(18.7)
Repurchases of Class A common stock	(399.6)	—
Contingent consideration for business acquisitions	(35.5)	(9.2)
Financing-related costs	(13.1)	—
Leases and other financing obligations	(3.1)	(4.8)
Net cash provided by (used in) financing activities	(407.4)	34.0
Effect of exchange rate changes on cash and cash equivalents	(2.1)	(1.5)
Net increase in cash and cash equivalents	34.3	268.5
Cash and cash equivalents, beginning of period	932.4	582.7
Cash and cash equivalents, end of period	\$ 966.7	\$ 851.2
Supplemental cash flow information:		
Cash paid during the period for:		
Interest on long-term debt, net of swap benefit	\$ 53.4	\$ 61.8
Income taxes, net of refunds received	\$ 5.9	\$ 19.6
Supplemental information for non-cash investing and financing activities:		
Acquisition date fair value of contingent consideration	\$ —	\$ 45.6
Accrued purchases of property and equipment at period end	\$ 3.0	\$ 4.8
Landlord paid tenant improvements included in purchases of property and equipment	\$ 7.6	\$ —

See accompanying notes to condensed consolidated financial statements.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts 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. We owned approximately 99% of Desert Newco's limited liability company units (LLC Units) as of September 30, 2019.

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, 2019.

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, 2018 (the 2018 Form 10-K).

Prior Period Reclassifications

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

Use of Estimates

GAAP requires us to make estimates and assumptions affecting amounts reported in our financial statements. 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 September 30, 2019, our chief operating decision maker function was comprised of our Chief Executive Officer who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance for the entire company. Accordingly, we have a single operating and reportable segment.

2. Summary of Significant Accounting Policies

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 service to which the asset relates. During the three months ended September 30, 2019 and 2018, amortization expense of such asset was \$154.3 million and \$151.2 million, respectively. During the nine months ended September 30, 2019 and 2018, amortization expense of such asset was \$456.6 million and \$445.2 million, respectively.

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

Leases

Adoption of New Standard on Leases

On January 1, 2019, we adopted the Financial Accounting Standards Board's (FASB) new lease accounting standard using a modified retrospective transition and recorded a \$3.3 million cumulative-effect adjustment to beginning retained earnings (the effective date method). Under the effective date method, comparative period financial information is not adjusted. The new standard requires lessees to recognize a right-of-use (ROU) asset and lease liability on the balance sheet for operating leases while the accounting for finance leases is substantially unchanged. We recognized \$111.3 million and \$108.0 million of additional assets and liabilities, respectively, upon adoption of the new standard. The impact to deferred taxes was immaterial.

The increases to assets and liabilities resulting from the recognition of ROU assets and operating lease liabilities included the derecognition of existing assets and liabilities related to leases. The most significant impact resulted from the derecognition of our lease financing obligation and related building asset. At adoption, we were required to reassess whether the failed sale-leaseback transaction that resulted in the recognition of a lease financing obligation and related building asset would have met the sale criteria under the new standard. We concluded that the sale criteria would have been met and recognized a \$3.3 million adjustment to beginning retained earnings as a result of the derecognition of the lease financing obligation and related building asset. The previously recognized lease financing obligation is now classified as an operating lease and was included in the initial measurement of the ROU assets and operating lease liabilities.

We have adopted the package of practical expedients allowing us to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. Adoption of this standard did not have a material impact to our statements of operations or cash flows.

We determine whether a contract contains a lease at contract inception. We have lease agreements with lease and non-lease components and have elected the practical expedient to account for such components as a single lease component. This election must be made by class of underlying asset and was elected for our leases of office space, data center space and server equipment. We initially recognize and measure contracts containing a lease and determine lease classification at commencement. ROU assets and operating lease liabilities are measured based on the estimated present value of lease payments over the lease term. In determining the present value of lease payments, we use our estimated incremental borrowing rate when the rate implicit in the lease cannot be readily determined. The estimated incremental borrowing rate is based upon information available at lease commencement including publicly available data for debt instruments. The lease term includes periods covered by options to extend when it is reasonably certain we will exercise such options as well as periods subsequent to an option to terminate the lease if it is reasonably certain we will not exercise the termination option. Operating lease costs

are recognized on a straight-line basis over the lease term while finance leases result in a front-loaded expense pattern. Variable lease costs are recognized as incurred. On our balance sheets, assets and liabilities associated with operating leases are included within operating lease assets, accrued expenses and other current liabilities and operating lease liabilities. Assets and liabilities associated with finance leases are included in property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities.

See Note 10 for additional information regarding leases.

Fair Value Measurements

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

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Reverse repurchase agreements ⁽¹⁾	\$ —	\$ 70.0	\$ —	\$ 70.0
Commercial paper	—	101.4	—	101.4
Money market funds	274.6	—	—	274.6
Short-term investments:				
Commercial paper and other	0.7	22.8	—	23.5
Derivative assets	—	3.0	—	3.0
Total assets measured and recorded at fair value	\$ 275.3	\$ 197.2	\$ —	\$ 472.5
Liabilities:				
Contingent consideration liabilities				
Derivative liabilities	—	60.6	—	60.6
Total liabilities measured and recorded at fair value	\$ —	\$ 60.6	\$ 25.3	\$ 85.9

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Reverse repurchase agreements ⁽¹⁾	\$ —	\$ 70.0	\$ —	\$ 70.0
Commercial paper	—	71.4	—	71.4
Money market funds	338.6	—	—	338.6
Short-term investments:				
Commercial paper and other	0.9	18.0	—	18.9
Total assets measured and recorded at fair value	\$ 339.5	\$ 159.4	\$ —	\$ 498.9
Liabilities:				
Contingent consideration liabilities				
Derivative liabilities	—	120.5	—	120.5
Total liabilities measured and recorded at fair value	\$ —	\$ 120.5	\$ 67.9	\$ 188.4

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

Our contingent consideration liabilities, which relate to future earn-out payments associated with our business acquisitions, are classified within Level 3 and valued using discounted cash flow valuation methods encompassing significant unobservable inputs. The inputs include estimated operating results scenarios for the applicable performance periods, probability weightings assigned to operating results scenarios (generally assessed at 100% probability) and the discount rates applied (generally ranging from 14% to 25%). The fair values of our contingent consideration arrangements are sensitive to changes in forecasts and discount rates. A reconciliation of these liabilities is as follows:

	Nine Months Ended September 30,	
	2019	2018
Balance at beginning of period	\$ 67.9	\$ 20.7
Acquisition date fair value of contingent consideration	—	45.6
Adjustments to fair value recognized in earnings	1.9	10.0
Contingent consideration payments	(44.3)	(10.0)
Impact of foreign currency translation and other	(0.2)	1.0
Balance at end of period	\$ 25.3	\$ 67.3

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

Recent Accounting Pronouncements

In June 2016, the FASB issued new guidance for the accounting for credit losses on instruments that will require entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial instruments measured at amortized cost and also applies to some off-balance sheet credit exposures. We do not expect our adoption of this guidance on January 1, 2020 to have a material impact.

In January 2017, the FASB issued new guidance simplifying the goodwill impairment test, eliminating the requirement for an entity to determine the fair value of its assets and liabilities (including unrecognized assets and liabilities) at the impairment testing date following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, an entity will be required to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will be required to recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. Our adoption of this guidance on January 1, 2019 did not have a material impact.

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

In August 2018, the FASB issued new guidance aligning the accounting for implementation costs incurred in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We plan to adopt this guidance prospectively on January 1, 2020 and do not expect a material impact at adoption.

3. Goodwill and Intangible Assets

The following table summarizes changes in goodwill:

Balance at December 31, 2018	\$ 2,948.0
Goodwill related to acquisitions	21.1
Impact of foreign currency translation	(36.9)
Balance at September 30, 2019	\$ 2,932.2

Intangible assets, net are as follows:

	September 30, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names and branding	\$ 445.0	n/a	\$ 445.0
Domain portfolio	150.9	n/a	150.9
Finite-lived intangible assets:			
Customer-related	816.2	\$ (449.1)	367.1
Developed technology	148.2	(59.5)	88.7
Trade names	77.7	(20.8)	56.9
	<u>\$ 1,638.0</u>	<u>\$ (529.4)</u>	<u>\$ 1,108.6</u>
	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names and branding	\$ 445.0	n/a	\$ 445.0
Domain portfolio	152.4	n/a	152.4
Finite-lived intangible assets:			
Customer-related	850.5	\$ (407.5)	443.0
Developed technology	206.9	(103.1)	103.8
Trade names and other	92.9	(25.6)	67.3
	<u>\$ 1,747.7</u>	<u>\$ (536.2)</u>	<u>\$ 1,211.5</u>

Amortization expense was \$29.0 million and \$37.3 million for the three months ended September 30, 2019 and 2018, respectively, and was \$91.0 million and \$103.3 million for the nine months ended September 30, 2019 and 2018, respectively. The weighted-average remaining amortization period for amortizable intangible assets was 69 months as of September 30, 2019.

Based on the balance of finite-lived intangible assets at September 30, 2019, expected future amortization expense is as follows:

Year Ending December 31:	
2019 (remainder of)	\$ 27.9
2020	108.3
2021	85.0
2022	83.2
2023	68.3
Thereafter	140.0
	<u>\$ 512.7</u>

4. Stockholders' Equity

Secondary Offering

In February 2019, we completed an underwritten public offering in which KKR and SLP sold shares of our Class A common stock. We did not receive any proceeds from the shares sold by the selling stockholders. We used the net proceeds from the shares sold by us to pay expenses incurred in connection with the offering. The offering included the exchange of LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock by the selling stockholders.

which resulted in an increase in additional paid-in capital, with an offsetting reduction in non-controlling interests, and a material increase to the liability under the TRAs (see Note 13). Significant details for the offering are as follows:

Offering Date	Offering Price Per Share (\$)	Shares Sold by GoDaddy (#)	Proceeds Received by GoDaddy (\$)	Aggregate Shares Sold by Selling Stockholders (#)	LLC Units Exchanged by Selling Stockholders (#)	Increase in Additional Paid-in Capital (\$)
February 2019 ⁽¹⁾	75.40	8	0.6	8,539	4,278	5.7

(1) Following the offering, KKR and SLP no longer own shares of GoDaddy's common stock.

Share Repurchase Program

In November 2018, our board of directors approved a share repurchase program pursuant to which we may repurchase up to \$500.0 million of our Class A common stock (the "2018 Share Repurchase Program"). 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. The 2018 Share Repurchase Program has no time limit, does 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, and will be funded by available cash and cash equivalents. Repurchased shares are immediately retired and returned to an unissued status. We have elected to record the excess of the repurchase price over par value as a charge to retained earnings (accumulated deficit).

During the three months ended September 30, 2019, we repurchased a total of 6,166 shares of our Class A common stock in the open market pursuant to the 2018 Share Repurchase Program for an aggregate purchase price of \$399.6 million, including commissions.

5. Equity-Based Compensation

Equity Plans

As of December 31, 2018, 19,195 shares of Class A common stock were available for issuance as future awards under the 2015 Equity Incentive Plan (the 2015 Plan). On January 1, 2019, an additional 6,992 shares were reserved for issuance pursuant to the automatic increase provisions of the 2015 Plan. As of September 30, 2019, 23,312 shares were available for issuance as future awards under the 2015 Plan.

As of December 31, 2018, 3,082 shares of Class A common stock were available for issuance under the 2015 Employee Stock Purchase Plan (the ESPP). On January 1, 2019, an additional 1,000 shares were reserved for issuance pursuant to the ESPP. As of September 30, 2019, 3,780 shares were available for issuance under the ESPP.

Equity-Based Compensation Expense Error

During the three months ended September 30, 2019, we determined that we had previously recognized \$20.4 million in equity-based compensation expense related to certain performance-based awards (PSUs) prior to the establishment of a grant date for accounting purposes. The error is comprised of \$3.0 million, \$5.7 million, \$6.9 million and \$4.8 million recognized in the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. We determined the amounts related to the prior annual and interim period financial statements and disclosures were immaterial considering both quantitative and qualitative factors. Accordingly, we reversed the cumulative amount as a reduction of equity-based compensation expense in the current period, which decreased our operating costs and expenses as follows:

Technology and development	\$	9.4
Marketing		2.0
Customer care		1.1
General and administrative		7.9
	\$	<u>20.4</u>

Equity Plan Activity

We grant options at exercise prices equal to the fair market value of our Class A common stock on the grant date. We grant both options and restricted stock units vesting solely upon the continued service of the recipient (RSUs) as well as PSUs vesting upon the achievement of annual or cumulative financial-based targets. 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.

The following table summarizes option activity:

	Number of Shares of Class A Common Stock (#)	Weighted- Average Grant- Date Fair Value Per Share (\$)	Weighted- Average Exercise Price Per Share (\$)
Outstanding at December 31, 2018	9,527		25.77
Granted	1,318	24.99	71.98
Exercised	(2,186)		21.03
Forfeited	(532)		55.48
Outstanding at September 30, 2019	8,127		32.59
Vested at September 30, 2019	5,387		20.79

The following table summarizes RSU and PSU activity:

	Number of Shares of Class A Common Stock (#)
Outstanding at December 31, 2018	5,356
Granted	2,887
Vested	(1,817)
Forfeited	(799)
Outstanding at September 30, 2019 ⁽¹⁾	5,627

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

	Number of Shares of Class A Common Stock (#)	Weighted Average Fair Value Per Share (\$)
RSUs	4,545	63.92
PSUs granted for accounting purposes	458	73.32
PSUs not yet granted for accounting purposes	624	N/A
Outstanding at September 30, 2019	5,627	

At September 30, 2019, total unrecognized compensation expense related to non-vested stock options and awards was \$38.2 million and \$213.8 million, respectively, with expected remaining weighted-average recognition periods of 2.4 years and 2.5 years, respectively. Such amounts exclude PSUs not yet considered granted for accounting purposes.

We currently believe the established performance targets related to the vesting of PSUs considered granted for accounting purposes will be achieved. If such targets are not achieved, or are subsequently determined to not be probable of being achieved, we will not recognize any compensation expense for PSUs not expected to vest, and will reverse any previously recognized expense on such awards.

6. Deferred Revenue

Deferred revenue consisted of the following:

	September 30, 2019	December 31, 2018
Current:		
Domains	\$ 748.9	\$ 686.3
Hosting and presence	529.8	483.3
Business applications	261.2	224.1
	<u>\$ 1,539.9</u>	<u>\$ 1,393.7</u>
Noncurrent:		
Domains	\$ 383.7	\$ 365.8
Hosting and presence	187.8	180.6
Business applications	84.7	77.4
	<u>\$ 656.2</u>	<u>\$ 623.8</u>

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, offset by \$315.6 million and \$1,277.6 million of revenue recognized during the three and nine months ended September 30, 2019, respectively, that was included in the deferred revenue balance as of December 31, 2018. The deferred revenue balance as of September 30, 2019 represents our aggregate remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied.

Deferred revenue as of September 30, 2019 is expected to be recognized as revenue as follows:

	Remainder of 2019	2020	2021	2022	2023	Thereafter	Total
Domains	\$ 276.9	\$ 537.9	\$ 156.8	\$ 68.4	\$ 40.0	\$ 52.6	\$ 1,132.6
Hosting and presence	212.8	351.0	99.1	31.3	13.4	10.0	717.6
Business applications	103.3	174.1	48.0	14.5	3.5	2.5	345.9
	<u>\$ 593.0</u>	<u>\$ 1,063.0</u>	<u>\$ 303.9</u>	<u>\$ 114.2</u>	<u>\$ 56.9</u>	<u>\$ 65.1</u>	<u>\$ 2,196.1</u>

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2019	December 31, 2018
Accrued payroll and employee benefits	\$ 101.5	\$ 105.9
Derivative liabilities	60.6	120.5
Current portion of operating lease liabilities	36.7	—
Accrued legal and professional	29.9	10.9
Tax-related accruals	27.7	38.4
Accrued acquisition-related expenses and acquisition consideration payable	26.4	74.4
Accrued marketing and advertising	16.0	19.4
Accrued other	40.1	44.8
	<u>\$ 338.9</u>	<u>\$ 414.3</u>

8. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2019	December 31, 2018
Term Loans (effective interest rate of 4.9% at September 30, 2019 and 4.6% at December 31, 2018)	\$ 1,838.6	\$ 2,457.3
Senior Notes (effective interest rate of 5.4% at September 30, 2019)	600.0	—
Revolver	—	—
Total	2,438.6	2,457.3
Less: unamortized original issue discount on long-term debt ⁽¹⁾	(11.8)	(27.9)
Less: unamortized debt issuance costs ⁽¹⁾	(24.6)	(18.6)
Less: current portion of long-term debt	(19.1)	(16.6)
	\$ 2,383.1	\$ 2,394.2

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

Credit Facility

Our secured credit agreement (the Credit Facility), which matures on February 15, 2024, includes both term loans (the Term Loans) and a revolving credit facility (the Revolver).

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

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

The Term Loans bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.00% per annum or (b) 1.00% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%. A portion of the Term Loans are hedged by an interest rate swap. See Note 9 for discussion of this hedging instrument and its impact on the interest rate associated with the Term Loans.

In October 2019, we refinanced the Term Loans, as described in Note 17.

The Revolver bears interest at a rate equal to, at our option, either (a) LIBOR plus a margin ranging from 1.25% to 1.75% per annum or (b) the higher of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) the one-month LIBOR rate plus 1.0% plus a margin ranging from 0.25% to 0.75% per annum, with the margins determined based on our first lien net leverage ratio.

At September 30, 2019, we had \$600.0 million available for borrowing under the Revolver and were not in violation of any covenants of the Credit Facility.

Senior Notes

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

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

The Senior Notes are redeemable at our option, in whole or in part, at any time prior to June 1, 2022 at a redemption price equal to 100.0% of the principal amount, plus accrued and unpaid interest, plus an applicable premium of not less than 1.0%. In the event of an equity offering prior to June 1, 2022, the Senior Notes may be partially redeemed at our option at an amount equal to 105.25% of the principal amount, plus accrued and unpaid interest. On and after June 1, 2022, we may redeem the Senior Notes, in whole or in part, at an amount equal to 102.625% of the principal amount, decreasing to 101.75% at June 1, 2023, 100.875% at June 1, 2024 and 100.0% thereafter, plus accrued and unpaid interest. Upon the occurrence of a change of control, we are required to offer to repurchase the Senior Notes from the holders at a price equal to 101.0% of the principal amount, plus accrued and unpaid interest.

Significant terms of the Senior Notes are as follows:

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

At September 30, 2019, we were not in violation of any covenants of the Senior Notes.

Fair Value

The estimated fair values of the Term Loans and Senior Notes were \$1,843.2 million and \$632.6 million, respectively, at September 30, 2019 based on observable market prices for these loans, which are traded in less active markets and therefore classified as Level 2 fair value measurements.

Future Debt Maturities

Aggregate principal payments, exclusive of any unamortized original issue discount and debt issuance costs, due on long-term debt as of September 30, 2019 are as follows:

Year Ending December 31:

2019 (remainder of)	\$	6.3
2020		25.0
2021		25.0
2022		25.0
2023		25.0
Thereafter		2,332.3
	\$	<u>2,438.6</u>

9. 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.

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

Derivative Instrument:	Notional Amount		Fair Value of Derivative Assets ⁽³⁾		Fair Value of Derivative Liabilities ⁽³⁾	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Level 2:						
Foreign exchange forward contracts ⁽¹⁾	\$ 113.2	\$ —	\$ 3.0	\$ —	\$ 0.1	\$ —
Cross-currency swap ⁽²⁾	1,326.3	1,397.8	—	—	28.8	119.1
Interest rate swap	1,292.3	1,302.3	—	—	31.7	1.4
	<u>\$ 2,731.8</u>	<u>\$ 2,700.1</u>	<u>\$ 3.0</u>	<u>\$ —</u>	<u>\$ 60.6</u>	<u>\$ 120.5</u>

(1) The notional amount includes \$6.7 million of foreign exchange forward contracts not designated as cash flow hedges, the aggregate fair value of which was \$0.4 million at September 30, 2019.

(2) The notional values of the cross-currency swap have been translated from Euros to U.S. dollars at the foreign currency exchange rates in effect at September 30, 2019 and December 31, 2018 of approximately 1.09 and 1.14, respectively.

(3) 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):

Derivative Instrument:	Unrealized Gains (Losses) Recognized in Other Comprehensive Income			
	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Foreign exchange forward contracts ⁽¹⁾	\$ 2.0	\$ 1.1	\$ 2.8	\$ 8.1
Cross-currency swap	12.3	(3.3)	28.8	(21.7)
Interest rate swap	(2.7)	6.8	(30.3)	36.8
	<u>\$ 11.6</u>	<u>\$ 4.6</u>	<u>\$ 1.3</u>	<u>\$ 23.2</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 derivative instruments:

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
Foreign Exchange Forward Contracts:						
Reclassified from AOCI into income	\$ 1.0	\$ —	\$ —	\$ (0.4)	\$ —	\$ —
Cross Currency Swap:						
Reclassified from AOCI into income ⁽¹⁾	—	7.9	52.3	—	7.1	5.6
Interest Rate Swap:						
Reclassified from AOCI into income	—	(0.7)	—	—	(1.2)	—
	<u>\$ 1.0</u>	<u>\$ 7.2</u>	<u>\$ 52.3</u>	<u>\$ (0.4)</u>	<u>\$ 5.9</u>	<u>\$ 5.6</u>

(1) The amount reflected in other income (expense), net includes \$(52.4) million and \$(5.8) million reclassified from AOCI to offset the earnings impact of the remeasurement of the Euro-denominated intercompany loan hedged by the cross-currency swap for the three months ended September 30, 2019 and 2018, respectively.

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	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	\$ —	\$ —	\$ (2.3)	\$ —	\$ —
Cross Currency Swap:						
Reclassified from AOCI into income ⁽¹⁾	—	22.5	61.1	—	20.7	46.2
Interest Rate Swap:						
Reclassified from AOCI into income	—	(0.5)	—	—	(5.9)	—
	<u>\$ 2.3</u>	<u>\$ 22.0</u>	<u>\$ 61.1</u>	<u>\$ (2.3)</u>	<u>\$ 14.8</u>	<u>\$ 46.2</u>

(1) The amount reflected in other income (expense), net includes \$(61.6) million and \$(47.3) million reclassified from AOCI to offset the earnings impact of the remeasurement of the Euro-denominated intercompany loan hedged by the cross-currency swap for the nine months ended September 30, 2019 and 2018, respectively.

As of September 30, 2019, we estimate that approximately \$28.4 million of net deferred gains related to our designated cash flow hedges will be recognized in earnings over the next 12 months. No amounts were excluded from our effectiveness testing during any of the periods presented.

Risk Management Strategies

Foreign Exchange Forward Contracts

From time-to-time, we may enter into foreign exchange forward contracts with financial institutions to hedge certain forecasted sales transactions denominated in foreign currency. We generally designate these forward contracts as cash flow hedges, which are recognized as either assets or liabilities at fair value. At September 30, 2019, all such contracts had maturities of 18 months or less.

Cross-Currency Swap Contract

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

Interest Rate Swap Contract

In April 2017, we entered into a five-year pay-fixed rate, receive-floating rate interest rate swap arrangement (the Interest Rate Swap) to effectively convert a portion of the variable-rate debt to fixed. The Interest Rate Swap, which matures on April 3, 2022, had an amortizing notional amount of \$1,325.4 million at inception and swaps the variable interest rate on our LIBOR-based borrowings for a fixed rate of 5.44%. The objective of the Interest Rate Swap, which is designated as a cash flow hedge and recognized as an asset or liability at fair value, is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged. The unrealized gains and losses on the contract are included in gain (loss) on swaps and foreign currency hedging, net within AOCI, and will be recognized in earnings within or against interest expense when the hedged interest payment is accrued each month.

10. Leases

Our operating leases primarily consist of office and data center space expiring at various dates through November 2036. Certain leases include options to renew or terminate at our discretion. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of September 30, 2019, operating leases have a remaining weighted average lease term of 8.0 years and our operating lease liabilities were measured using a weighted average discount rate of 5.7%. Finance leases are immaterial.

The components of operating lease expense were as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease costs	\$ 15.1	40.6
Variable lease costs	1.9	6.5
Sublease income	(0.9)	(2.2)
Net lease costs	<u>\$ 16.1</u>	<u>\$ 44.9</u>

Supplemental cash flow information related to operating leases was as follows:

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 36.4
ROU assets obtained in exchange for operating lease obligations	\$ 105.2

Operating lease liabilities are included in our balance sheets as follows:

	September 30, 2019	
Accrued expenses and other current liabilities	\$	36.7
Operating lease liabilities, net of current portion		184.0
	\$	220.7

Maturities of operating lease liabilities as of September 30, 2019 were as follows:

2019 (remainder of)	\$	12.2
2020		46.8
2021		42.7
2022		32.5
2023		25.0
Thereafter		118.1
Total lease payments		277.3
Less: imputed interest		(56.6)
	\$	220.7

11. 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)(U.S.D.C.)(D.AZ), filed on June 20, 2016. The complaint alleges violation of the Telephone Consumer Protection Act of 1991. On September 23, 2019, the parties fully executed a written settlement agreement, which is still subject to Court approval. Under the terms of the proposed settlement, we would make 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 representative, (iii) notice and administration costs in connection with the settlement, and (iv) attorneys' fees to legal counsel representing the class. If approved, we would receive a full release from the settlement class (other than from those class members who timely elect to opt out of the settlement) concerning the claims asserted, or that could have been asserted, with respect to the claims released in the settlement agreement.

During the three months ended June 30, 2019, we recorded an estimated loss provision of \$18.1 million to general and administrative expense, which represents our best estimate of the total settlement costs, inclusive of attorneys' fees to be paid to legal counsel representing the class in connection with the settlement agreement. We made no changes to our estimated loss accrual during the three months ended September 30, 2019. Our legal fees associated with this matter have been recorded to general and administrative expense as incurred and were not material.

We have denied and continue to deny the allegations in the complaint. Nothing in the 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.

The amounts currently accrued for other matters are not material. While the results of such normal course claims and legal proceedings, regardless of the underlying nature of the claims, cannot be predicted with certainty, management does not believe, based on current knowledge and the likely timing of resolution of various matters, any additional reasonably possible

potential losses above the amounts accrued for such matters would be material. Regardless of the outcome, claims and legal proceedings may have an adverse effect on us because of defense costs, diversion of management resources and other factors. We may also receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. The final outcome of any current or future claims or lawsuits could adversely affect our business, financial condition or results of operations.

Indemnifications

In the normal course of business, we have made indemnities under which we may be required to make payments in relation to certain transactions, including to our directors and officers to the maximum extent permitted under applicable state laws and indemnifications related to certain lease agreements. In addition, certain advertiser and reseller partner agreements contain indemnification provisions, which are generally consistent with those prevalent in the industry. We have not incurred material obligations under indemnification provisions historically, and do not expect to incur material obligations in the future. Accordingly, we have not recorded any liabilities related to such indemnities as of September 30, 2019 and December 31, 2018.

We include service level commitments to our customers guaranteeing certain levels of uptime reliability and performance for our hosting and premium DNS products. These guarantees permit those customers to receive credits in the event we fail to meet those levels, with exceptions for certain service interruptions including but not limited to periodic maintenance. We have not incurred any material costs as a result of such commitments during any of the periods presented, and have not recorded any liabilities related to such obligations as of September 30, 2019 and December 31, 2018.

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 September 30, 2019 and December 31, 2018, our accrual for estimated indirect tax liabilities was \$9.4 million and \$11.6 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.

12. 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 and Germany. We anticipate this structure to remain in existence for the foreseeable future.

Our effective tax rates in 2019 differ from the U.S. federal statutory rate primarily due to changes in valuation allowances based on current year earnings and adjustments resulting from finalizing prior year tax returns.

Based primarily on our limited operating history and our historical losses, we believe there is significant uncertainty as to when we will be able to utilize our net operating losses (NOLs) and other deferred tax assets (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.

There were no material changes to our liabilities related to uncertain income tax positions during the nine months ended September 30, 2019. 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.

13. Payable to Related Parties Pursuant to the TRAs

As of December 31, 2018, our liability under the TRAs was \$174.3 million, representing approximately 85% of the calculated tax savings based on the portion of the original basis adjustments we anticipated being able to utilize in future years. During the nine months ended September 30, 2019, we increased this liability through an aggregate \$9.7 million reduction in additional paid-in capital resulting from the exchanges of LLC Units in the secondary offering discussed in Note 4, partially offset by a benefit to our statements of operations of \$8.7 million primarily resulting from additional tax deductible equity-based compensation. As of September 30, 2019, our liability under the TRAs was \$175.3 million.

The projection of future taxable income involves significant judgment. Actual taxable income may differ from our estimates, which could significantly impact the liability under the TRAs. We have determined it is more-likely-than-not we will be unable to utilize all of our DTAs subject to the TRAs; therefore, we have not recorded a liability under the TRAs related to the tax savings we may realize from the utilization of NOL carryforwards and the amortization related to basis adjustments created by exchanges of LLC Units. If utilization of these DTAs becomes more-likely-than-not in the future, at such time, we will record liabilities under the TRAs of up to an additional \$1,151.4 million as a result of basis adjustments under the Internal Revenue Code and up to an additional \$436.1 million related to the utilization of NOL and credit carryforwards, which will be recorded through charges to our statements of operations. However, if the tax attributes are not utilized in future years, it is reasonably possible no amounts would be paid under the TRAs. In this scenario, the reduction of the liability under the TRAs would result in a benefit to our statements of operations.

14. Income Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income	\$ 76.8	\$ 14.1	\$ 77.3	\$ 38.5
Less: net income attributable to non-controlling interests	0.6	0.9	0.8	3.9
Net income attributable to GoDaddy Inc.	\$ 76.2	\$ 13.2	\$ 76.5	\$ 34.6
Denominator:				
Weighted-average shares of Class A common stock outstanding—basic	174,820	162,359	173,957	151,015
Effect of dilutive securities:				
Class B common stock	1,543	10,258	2,592	19,988
Stock options	4,177	7,172	4,765	7,509
RSUs, PSUs and ESPP shares	1,114	2,603	1,612	2,426
Weighted-average shares of Class A Common stock outstanding—diluted	181,654	182,392	182,926	180,938
Net income attributable to GoDaddy Inc. per share of Class A common stock—basic	\$ 0.44	\$ 0.08	\$ 0.44	\$ 0.23
Net income attributable to GoDaddy Inc. per share of Class A common stock—diluted ⁽¹⁾ :	\$ 0.42	\$ 0.08	\$ 0.42	\$ 0.21

(1) The diluted income 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 per share because the effect of including such potentially dilutive shares would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Stock options, RSUs and PSUs	1,930	918	1,697	792

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

15. Geographic Information

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
U.S.	\$ 506.2	\$ 443.5	\$ 1,460.6	\$ 1,268.4
International	254.3	236.0	747.1	695.9
	<u>\$ 760.5</u>	<u>\$ 679.5</u>	<u>\$ 2,207.7</u>	<u>\$ 1,964.3</u>

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

Property and equipment, net by geography was as follows:

	September 30, 2019	December 31, 2018
	\$ 199.6	\$ 231.0
U.S.		
All other international	55.8	68.0
	<u>\$ 255.4</u>	<u>\$ 299.0</u>

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

16. Accumulated Other Comprehensive Income (Loss)

The following table presents AOCI activity in equity:

	Foreign Currency Translation Adjustments	Net Unrealized Gains (Losses) on Cash Flow Hedges ⁽¹⁾	Total Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2018 ⁽²⁾	\$ (92.2)	\$ (22.4)	\$ (114.6)
Other comprehensive income (loss) before reclassifications	14.0	(84.1)	(70.1)
Amounts reclassified from AOCI	—	85.4	85.4
Other comprehensive income (loss)	14.0	1.3	15.3
	\$ (78.2)	\$ (21.1)	\$ (99.3)
Less: AOCI attributable to non-controlling interests			0.8
Balance as of September 30, 2019			\$ (98.5)
Balance as of December 31, 2017 ⁽²⁾	\$ (86.8)	\$ (45.5)	\$ (132.3)
Other comprehensive income before reclassifications	0.8	(35.5)	(34.7)
Amounts reclassified from AOCI	—	58.7	58.7
Other comprehensive income	0.8	23.2	24.0
	\$ (86.0)	\$ (22.3)	\$ (108.3)
Less: AOCI attributable to non-controlling interests			(42.3)
Balance as of September 30, 2018			\$ (66.0)

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

See Note 9 for the effect on net income of amounts reclassified from AOCI related to our cash flow hedging instruments. The income tax impact associated with these reclassified amounts was not material in any period presented.

17. Subsequent Events

Term Loan Refinancing

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

Share Repurchase Programs

In October 2019, we repurchased 959 shares of our Class A common stock in the open market pursuant to the 2018 Share Repurchase Program, which were retired upon repurchase, for an aggregate purchase price of \$59.0 million, including commissions.

In October 2019, our board of directors approved an additional share repurchase program pursuant to which we may repurchase up to \$500.0 million of our Class A common stock (the 2019 Share Repurchase Program). 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. The 2019 Share Repurchase Program has no time limit, does 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, and will be funded by available cash and cash equivalents.

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 2018 Form 10-K.

(Throughout this discussion, dollars are in millions, except average revenue per user (ARPU), and shares are in thousands.)

Third Quarter Financial Highlights

Below are our key financial highlights for the three months ended September 30, 2019, with comparisons to the three months ended September 30, 2018.

- Total revenue of \$760.5 million, an increase of 11.9%, or approximately 13.3% on a constant currency basis⁽¹⁾.
- International revenue of \$254.3 million, an increase of 7.8%, or approximately 11.7% on a constant currency basis⁽¹⁾.
- Total bookings⁽²⁾ of \$851.0 million, an increase of 14.7%, or approximately 15.7% on a constant currency basis⁽¹⁾.
- Net income of \$76.8 million.
- Total customers of 19.1 million, an increase of 4.6%.
- ARPU of \$155, an increase of 7.1%.
- Net cash provided by operating activities of \$200.2 million, an increase of 30.0%.

⁽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.

Key Metrics

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total bookings	\$ 851.0	\$ 741.8	\$ 2,567.6	\$ 2,279.1
Total customers at period end (in thousands)	19,110	18,267	19,110	18,267
Average revenue per user	\$ 155	\$ 145	\$ 155	\$ 145

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 14.7% increase in total bookings for the three months ended September 30, 2019 and the 12.7% increase for the nine months ended September 30, 2019 were primarily driven by increases in total customers and domains under management, increased aftermarket domain sales and broadened customer adoption of non-domain products, partially offset by the impact of movements in foreign currency exchange rates. Total bookings during the three months ended September 30, 2019 is higher due to approximately 100 basis points of credit card abuse, which will have no impact to revenue as these transactions were reversed through refunds.

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

The 4.6% increase in total customers primarily resulted from our increased international presence, our ongoing marketing and advertising initiatives and our enhanced and expanded product offerings.

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

The 7.1% increase in ARPU was primarily due to broadened customer adoption of our products resulting in increased customer spend and revenue from our July 2018 acquisition of Main Street Hub (MSH).

Reconciliation of Bookings

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total Bookings:				
Total revenue	\$ 760.5	\$ 679.5	\$ 2,207.7	\$ 1,964.3
Change in deferred revenue ⁽¹⁾	26.3	16.6	183.6	171.1
Net refunds	64.7	45.9	176.8	145.8
Other	(0.5)	(0.2)	(0.5)	(2.1)
Total bookings	\$ 851.0	\$ 741.8	\$ 2,567.6	\$ 2,279.1

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

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 September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue	\$	% of Total Revenue
Revenue:								
Domains	\$ 345.3	45.4 %	\$ 309.5	45.6 %	\$ 999.3	45.2 %	\$ 906.0	46.1 %
Hosting and presence	285.0	37.5 %	263.2	38.7 %	833.7	37.8 %	747.6	38.1 %
Business applications	130.2	17.1 %	106.8	15.7 %	374.7	17.0 %	310.7	15.8 %
Total revenue	760.5	100.0 %	679.5	100.0 %	2,207.7	100.0 %	1,964.3	100.0 %
Costs and operating expenses:								
Cost of revenue (excluding depreciation and amortization)	265.0	34.8 %	226.9	33.4 %	756.0	34.2 %	663.5	33.8 %
Technology and development	116.4	15.3 %	112.2	16.5 %	367.6	16.7 %	319.3	16.2 %
Marketing and advertising	79.6	10.5 %	70.1	10.4 %	260.2	11.8 %	212.0	10.8 %
Customer care	86.0	11.3 %	81.8	12.0 %	263.9	12.0 %	238.5	12.1 %
General and administrative	72.2	9.5 %	89.7	13.2 %	270.0	12.1 %	247.1	12.6 %
Depreciation and amortization	49.9	6.6 %	61.3	9.0 %	160.9	7.3 %	176.1	9.0 %
Total costs and operating expenses	669.1	88.0 %	642.0	94.5 %	2,078.6	94.1 %	1,856.5	94.5 %
Operating income	91.4	12.0 %	37.5	5.5 %	129.1	5.9 %	107.8	5.5 %
Interest expense	(22.9)	(3.0)%	(25.0)	(3.7)%	(70.4)	(3.2)%	(73.5)	(3.7)%
Tax receivable agreements liability adjustment	—	—%	—	—%	8.7	0.4 %	(0.1)	—%
Loss on debt extinguishment	—	—%	—	—%	(14.5)	(0.7)%	—	—%
Other income (expense), net	5.6	0.7 %	0.7	0.1 %	17.0	0.8 %	1.9	0.1 %
Income before income taxes	74.1	9.7 %	13.2	1.9 %	69.9	3.2 %	36.1	1.9 %
Benefit for income taxes	2.7	0.4 %	0.9	0.1 %	7.4	0.3 %	2.4	0.1 %
Net income	76.8	10.1 %	14.1	2.0 %	77.3	3.5 %	38.5	2.0 %
Less: net income attributable to non-controlling interests	0.6	0.1 %	0.9	0.1 %	0.8	—%	3.9	0.2 %
Net income attributable to GoDaddy Inc.	\$ 76.2	10.0 %	\$ 13.2	1.9 %	\$ 76.5	3.5 %	\$ 34.6	1.8 %

Revenue

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

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

Hosting and presence revenue primarily consists of revenue from the sale of subscriptions for our website hosting products, website building products, website security products and online visibility 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 during the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Domains	\$ 345.3	\$ 309.5	\$ 35.8	11.6%	\$ 999.3	\$ 906.0	\$ 93.3	10.3%
Hosting and presence	285.0	263.2	21.8	8.3%	833.7	747.6	86.1	11.5%
Business applications	130.2	106.8	23.4	21.9%	374.7	310.7	64.0	20.6%
Total revenue	\$ 760.5	\$ 679.5	\$ 81.0	11.9%	\$ 2,207.7	\$ 1,964.3	\$ 243.4	12.4%

The 11.9% and 12.4% increases in total revenue for the three and nine months ended September 30, 2019, respectively, were driven by growth in total customers and ARPU. In addition, for the nine months, the increase was partially attributable to our July 2018 acquisition of MSH. The increase in customers impacted each of our revenue lines, as the additional customers purchased subscriptions across our product portfolio.

Domains

The 11.6% and 10.3% increases in domains revenue for the three and nine months ended September 30, 2019, respectively, were primarily driven by the increase in domains under management from 77.5 million as of September 30, 2018 to 78.6 million as of September 30, 2019, increased aftermarket domain sales and international growth, partially offset by the impact of movements in foreign currency exchange rates.

Hosting and presence

The 8.3% and 11.5% increases in hosting and presence revenue for the three and nine months ended September 30, 2019, respectively, were primarily driven by increased revenue from our website building and website security products. Our acquisition of MSH also contributed to the increase for the nine months.

Business applications

The 21.9% and 20.6% increases in business applications revenue for the three and nine months ended September 30, 2019, respectively, were primarily driven by increased customer adoption of our email, productivity and telephony solutions.

Costs and Operating Expenses*Cost of revenue*

Costs of revenue are the direct costs we incur in connection with selling an incremental product to our customers. Substantially all cost of revenue relates to domain registration fees paid to the various domain registries, payment processing fees, third-party commissions and licensing fees for third-party productivity applications. Similar to our billing practices, we pay domain costs at the time of purchase for the life of each subscription, but recognize the costs of service ratably over the term of our customer contracts. The terms of registry pricing are established by agreements between registries and registrars, and can vary significantly depending on the top-level domain (TLD). We expect cost of revenue to increase in absolute dollars in future periods as we expand our domains business, increase our sales of third-party productivity applications, increase our customer base and expand our international presence. Cost of revenue may increase or decrease as a percentage of total revenue, depending on the mix of products sold in a particular period.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Cost of revenue (excluding depreciation and amortization)	\$ 265.0	\$ 226.9	\$ 38.1	16.8%	\$ 756.0	\$ 663.5	\$ 92.5	13.9%

The 16.8% and 13.9% increases in cost of revenue for the three and nine months ended September 30, 2019, respectively, were primarily attributable to higher domain costs driven by the increase in domains under management and increased aftermarket domain sales, increased software licensing fees resulting from higher sales of email and 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 enhance existing products, develop new products and migrate our infrastructure to a cloud-based third-party provider. Technology and development expenses may increase or decrease as a percentage of total revenue depending on our level of investment in additional personnel and the pace of our infrastructure transition. Our investments in additional technology and development expenses are made to enhance our integrated technology infrastructure and to support our new and enhanced product offerings and the overall growth of our business.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Technology and development	\$ 116.4	\$ 112.2	\$ 4.2	3.7%	\$ 367.6	\$ 319.3	\$ 48.3	15.1%

Excluding the \$9.4 million equity-based compensation correction discussed in Note 5 to our financial statements, technology and development expenses increased 12.1% and 18.1% for the three and nine months ended September 30, 2019, respectively, primarily attributable to increased compensation-related costs driven by higher average headcount associated with our continued product development and increased software costs related to the growth of our business.

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 both in absolute dollars and as a percentage of total revenue depending on both the mix of internal and external marketing resources used and the size and scope of our future campaigns.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Marketing and advertising	\$ 79.6	\$ 70.1	\$ 9.5	13.6%	\$ 260.2	\$ 212.0	\$ 48.2	22.7%

The 13.6% and 22.7% increases in marketing and advertising expenses for the three and nine months ended September 30, 2019, respectively, were primarily attributable to increased discretionary advertising spend and compensation-related costs driven by higher average headcount associated with continued growth of our business.

Customer care

Customer care expenses represent the costs to advise and service our customers, primarily consisting of personnel costs. We expect these expenses to increase in absolute dollars in the future as we expand our domestic and international Customer Care teams due to increases in total customers. We expect customer care expenses to fluctuate as a percentage of total revenue depending on the level of personnel required to support the continued growth of our business.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Customer care	\$ 86.0	\$ 81.8	\$ 4.2	5.1%	\$ 263.9	\$ 238.5	\$ 25.4	10.6%

The 5.1% and 10.6% increases in customer care expenses for the three and nine months ended September 30, 2019, respectively, were primarily driven by increased costs associated with the continued expansion of our international third-party Customer Care locations and the continued growth of our business. Our July 2018 acquisition of MSH also contributed to the increase for the nine months.

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 increase in absolute dollars in the future as a result of our overall growth, increased personnel costs and public company expenses.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
General and administrative	\$ 72.2	\$ 89.7	\$ (17.5)	(19.5)%	\$ 270.0	\$ 247.1	\$ 22.9	9.3%

Excluding the \$7.9 million equity-based compensation correction discussed in Note 5 to our financial statements, general and administrative expenses decreased 10.7% for the three months ended September 30, 2019, primarily due to lower acquisition-related expenses.

Excluding the \$7.9 million equity-based compensation correction and the \$18.1 million accrual for the legal settlement discussed in Note 5 and Note 11 to our financial statements, respectively, general and administrative expenses increased 5.1%.

for the nine months ended September 30, 2019, primarily due to increased compensation-related costs driven by increased average headcount associated with the continued growth of our business and our acquisition of MSH, partially offset by lower acquisition-related expenses.

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. Depreciation and amortization 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 amortization expense associated with future acquisitions.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Depreciation and amortization	\$ 49.9	\$ 61.3	\$ (11.4)	(18.6)%	\$ 160.9	\$ 176.1	\$ (15.2)	(8.6)%

The 18.6% and 8.6% decreases in depreciation and amortization expenses for the three and nine months ended September 30, 2019, respectively, were primarily driven by intangible assets that became fully amortized during the first half of 2019.

Interest expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2019	2018	\$	%	2019	2018	\$	%
Interest expense	\$ 22.9	\$ 25.0	\$ (2.1)	(8.4)%	\$ 70.4	\$ 73.5	\$ (3.1)	(4.2)%

There were no material changes in interest expense.

Loss on debt extinguishment

In June 2019, we recognized a loss on debt extinguishment of \$14.5 million related to the \$600.0 million partial prepayment of our existing Term Loans with the proceeds of the issuance of the Senior Notes. See Note 8 to our financial statements for additional discussion.

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 interest payments and mandatory principal payments on our long-term debt and repurchase shares of our Class A common stock.

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

We have incurred significant long-term debt, as described below, to fund acquisitions and for our working capital needs. As a result of our debt, we are 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, strategic acquisitions or share repurchases. However, the restrictions under the Credit Facility are subject to a number of qualifications and may be amended with lender consent.

We believe our existing cash and cash equivalents and internally-generated cash flows 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, the timing and extent of spending to support domestic and international development efforts, continued brand development and advertising spend, the expansion 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. Should we pursue additional strategic acquisitions or share repurchases, we may need to raise additional capital, which may be in the form of additional long-term debt or equity financings.

Credit Facility and Senior Notes

Our Credit Facility consists of the Term Loans and the Revolver, which mature on February 15, 2024. In June 2019, we issued unsecured 5.25% Senior Notes in an aggregate principal amount of \$600.0 million. The full principal is payable at maturity on December 1, 2027, subject to earlier repurchase or redemption, as described in the indenture governing the Senior Notes. The proceeds from the issuance of the Senior Notes were used to prepay \$600.0 million in aggregate principal amount of the Term Loans. Concurrent with the issuance of the Senior Notes, we amended the Credit Facility to increase the borrowing capacity of the Revolver to \$600.0 million and reduce its interest rate margins. See further discussion in Note 8 to our financial statements.

The Credit Facility and the Senior Notes 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 September 30, 2019, we were in compliance with all such covenants.

As further discussed in Note 9 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.

In October 2019, we refinanced the Term Loans to lower the interest rate margins by 0.25%, as described in Note 8 to our financial statements. Fees incurred in connection with the refinancing were not material.

Tax Receivable Agreements

As of September 30, 2019, the liability under the TRAs was \$175.3 million, as described in Note 13 to our financial statements. We currently do not expect to begin making payments related to the existing liability under the TRAs until 2022. We may record additional liabilities under the TRAs as our estimates of the future utilization of the tax attributes, NOLs and other tax benefits change.

Because we are a holding company with no operations, we rely on Desert Newco to provide us with funds necessary to meet any financial obligations. If we do not have sufficient funds to pay TRA, 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 or as a result of the acceleration of our obligations under the TRAs), we may have to borrow funds and thus our liquidity and financial condition could be materially and adversely affected.

Share Repurchase Programs

Our board of directors has authorized the \$500.0 million 2018 Share Repurchase Program, as described in Note 4 to our financial statements. During the three months ended September 30, 2019, we repurchased a total of 6,166 shares of our Class A common stock in the open market, which were retired upon repurchase, for an aggregate purchase price of \$399.6 million, including commissions. In October 2019, we repurchased an additional 959 shares of our Class A common stock in the open market, which were retired upon repurchase, for an aggregate purchase price of \$59.0 million, including commissions.

In October 2019, our board of directors approved the \$500.0 million 2019 Share Repurchase Program, as described in Note 17 to our financial statements.

Cash Flows

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

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	\$ 561.2	\$ 431.3
Net cash used in investing activities	(117.4)	(195.3)
Net cash provided by (used in) financing activities	(407.4)	34.0
Effect of exchange rate changes on cash and cash equivalents	(2.1)	(1.5)
Net increase in cash and cash equivalents	\$ 34.3	\$ 268.5

Operating Activities

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

Net cash provided by operating activities increased \$129.9 million from \$431.3 million during the nine months ended September 30, 2018 to \$561.2 million during the nine months ended September 30, 2019, primarily driven by our bookings growth as well as increased interest income.

Investing Activities

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

Net cash used in investing activities decreased \$77.9 million from \$195.3 million during the nine months ended September 30, 2018 to \$117.4 million during the nine months ended September 30, 2019, primarily due to a \$106.9 million decrease in business acquisitions, partially offset by a \$21.6 million increase in capital expenditures.

Financing Activities

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

Net cash from financing activities decreased \$441.4 million from \$34.0 million provided during the nine months ended September 30, 2018 to \$407.4 million used during the nine months ended September 30, 2019, primarily resulting from \$399.6 million of share repurchases in 2019, a \$26.3 million increase in acquisition contingent consideration payments and \$13.1 million of financing-related costs paid in 2019 associated with the issuance of the Senior Notes.

Deferred Revenue

See Note 6 to our financial statements for details regarding the expected future recognition of deferred revenue.

Off-Balance Sheet Arrangements

As of September 30, 2019 and December 31, 2018, we had no off-balance sheet arrangements that had, or which are reasonably likely to have, a material effect on our financial statements.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP, and in doing so, we make estimates, assumptions and judgments affecting the reported amounts of assets, liabilities, revenues and expenses, as well as the related disclosure of contingent assets and liabilities. We base our estimates, assumptions and judgments on historical experience and on various other factors we believe to be reasonable under the circumstances, and we evaluate these estimates, assumptions and judgments on an ongoing basis. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could change our results from those reported. We refer to estimates, assumptions and judgments of this type as our critical accounting policies and estimates, which we discuss in our 2018 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 2018 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 9 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 September 30, 2019.

Foreign Currency Risk

We manage our exposure to changes in foreign currency exchange rates through the use of foreign exchange forward contracts and cross-currency swap contracts. See Note 9 to our financial statements for a summary of the notional amounts and fair values of such arrangements.

Foreign Exchange Forward Contracts

A portion of our bookings, revenue and operating expenses is denominated in foreign currencies, which are subject to exchange rate fluctuations. Our most significant foreign currency exposures are the Euro, the British pound, the Canadian dollar, the Australian dollar and the Indian Rupee. Our reported bookings, revenues and operating results may be impacted by fluctuations in foreign currency exchange rates. Fluctuations in exchange rates may also cause us to recognize transaction gains and losses in our statements of operations; however, to date, such amounts have not been material. As our international operations continue to grow, our exposure to fluctuations in exchange rates will increase, which may increase the costs associated with this growth. During the three months ended September 30, 2019, total bookings growth in constant currency would have been approximately 100 basis points higher and total revenue growth would have been approximately 140 basis points higher. Constant currency is calculated by translating bookings and revenue for each month in the current period using the foreign currency exchange rate for the corresponding month in the prior period, excluding any hedging gains or losses realized during the period.

From time-to-time, we may utilize foreign exchange forward contracts to manage the volatility of our bookings and revenue related to foreign currency transactions. These forward contracts reduce, but do not eliminate, the impact of adverse currency exchange rate fluctuations. We generally designate these forward contracts as cash flow hedges for accounting purposes. Changes in the intrinsic value of designated hedges are recorded as a component of AOCI. Gains and losses, once realized, are recorded as a component of AOCI and are amortized to revenue over the same period in which the underlying hedged amounts are recognized. At September 30, 2019, the realized and unrealized gain included in AOCI related to designated hedges totaled \$5.4 million.

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 the five-year Cross-Currency Swap in April 2017. The Cross-Currency Swap, which matures on April 3, 2022, had a notional amount of €1,212.2 million at September 30, 2019 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 our 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. Total borrowings under our Term Loans were \$1,838.6 million as of September 30, 2019. In October 2019, we refinanced the Term Loans to lower the interest rate margins by 0.25%. The refinanced 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%. See Note 8 to our financial statements for additional information regarding the Term Loans.

In April 2017, we entered into a five-year pay-fixed rate, receive-floating rate interest rate swap arrangement to effectively convert a portion of the variable-rate debt to fixed. The interest rate swap, the notional amount of which was \$1,292.3 million at September 30, 2019, matures on April 3, 2022 and swaps the variable interest rate on our LIBOR-based borrowings for a fixed rate of 5.44%. The objective of the interest rate swap, which is designated as a cash flow hedge, is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

For the balance of our long-term debt not subject to the Interest Rate Swap, 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), evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) 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 September 30, 2019, 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 September 30, 2019 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 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.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is provided in Note 11 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. Additional risks and uncertainties we are unaware of, or we currently believe are not material, may also become important factors affecting us. If any of the following risks occur, our business, financial condition, operating results and growth prospects could be materially and adversely affected. In that event, the price of our Class A common stock could decline. Capitalized terms not otherwise defined herein shall have the meaning given to them in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 22, 2019.

Risks Related to Our Business

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. We derive a substantial portion of our revenue from domains and our hosting and presence products. The rate at which new and existing customers purchase and renew subscriptions to our products depends on a number of factors, including those outside of our control. Although our total customers and revenue have grown rapidly in the past, in recent periods our slower growth rates have reflected the size and scale 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. Our sales could fluctuate or decline as a result of lower demand for domain names, websites and related products, declines in our customers' level of satisfaction with our products and our Customer Care, 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 and technological change. Our revenue has grown historically due in large part to sustained customer growth rates and strong renewal sales of subscriptions to our domain name registration and hosting and presence products. Our future success depends in part on maintaining strong renewal sales. Our costs associated with renewal sales are substantially lower than costs associated with generating revenue from new customers and costs associated with generating sales of 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 renewal sales could have a material adverse effect on our business, growth prospects and operating results. If we are unable to increase sales of additional products, such as personalized email accounts and other business applications products, to new and existing customers, our growth prospects may be harmed.

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 small businesses and ventures with the tools they need to create, manage and augment their digital identity. To the extent we are not able to continue to identify challenges faced by 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 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 SmartLine and Website Security, 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 will accept. Our new products or product enhancements could fail to attain meaningful customer acceptance for many reasons, including:

- delays in releasing new products or product enhancements to the market;
- our 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;
- introduction of competing products (or the anticipation thereof) by other market participants;
- poor business conditions for our customers or poor general macroeconomic conditions;
- 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.

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. 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 Web Pros. There can be no assurance that our brand development strategies will enhance the recognition of our brand or lead to increased sales. 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. In addition, even if our brand recognition and loyalty increases, our revenue may not increase at a level commensurate with our marketing spend.

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 or damage from unauthorized entry, computer viruses, denial of service attacks and other security threats both within and beyond our control. 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 (such as the DYN attack in October 2016) increase in size. In addition, there has been an increase in the number of malicious software attacks in the technology industry, including malware and ransomware, such as WannaCry. In addition, from time to time, activities of our customers or other parties may cause us to suspend or terminate customer accounts. We have suspended and terminated, and will in the future suspend or terminate, a customer's use of our products when the activities on their site breach our terms of service (for example, phishing or resource misuse), interfere with or harm other customers' websites sharing the same resources or otherwise violate applicable law. We may also suspend or terminate a customer's website if it is repeatedly targeted by DDOS or other attacks disrupting other customers' websites or servers or otherwise impacts our infrastructure.

We cannot guarantee our backup systems, regular data backups, security protocols, network protection mechanisms and other procedures 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, 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. 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 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.

If the security of the confidential information or personally identifiable information we 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 personally identifiable 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 personally identifiable information and other potentially sensitive information) 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, we collect, store or transmit, but cannot guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties or our employees will not gain unauthorized access to this information despite our preventative efforts. 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 personally identifiable information or other confidential information, including payment card information, suspend our web-hosting operations or cause malfunctions or interruptions in our networks. As we rely more on third-party and public-cloud infrastructure, such as Amazon Web Services, and other third-party service providers, we will become more dependent on third-party security measures to protect against unauthorized access, cyberattacks 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.

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, personally identifiable 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. 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 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, or WannaCry or Petya ransomware attacks, also increase the risk that we, or our customers using our servers, will suffer a security breach. Our partners and we may also suffer security breaches or unauthorized access to personally identifiable 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.

Security breaches or other unauthorized access to personally identifiable 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 personally identifiable 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, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, 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 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. As we transition to Amazon Web Services to host our products over the next several years, we 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 unsuccessful in these efforts, or we may be unable to project accurately the rate or timing of these increases. 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 Amazon Web Services 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. Such reduced demand and resulting loss of traffic, cost increases, or failure to accommodate new technologies could harm our business, revenue and financial condition. Our systems, including those of our data centers and Customer Care operations, are also vulnerable to outages or damage from fire, power loss, telecommunications failures, computer viruses, physical and electronic break-ins, misappropriation of computer and data center resources, and similar events. The property and business interruption insurance coverage we carry 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 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. For example, in 2018 we began to transition from a combination of company-owned and co-located data centers to third-party cloud computing and hosting providers (such as Amazon Web Services) for the delivery of most of our products and storage of our data. In addition in 2018, we also transitioned certain transactional accounting functions to a professional services firm. 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 cyberattacks, 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.

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 now use multiple methods to access websites. For example, 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. People increasingly use social networking and microblogging sites to find and access websites. Further, as people continue to access the Internet more frequently through applications on mobile devices, domain names may become less prominent and their value may decline. These evolving technologies and changes in customer behavior may have an adverse effect on our business and growth prospects.

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 renewal sales of our products at the levels we anticipate, our business and operating results would be adversely affected. 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 Customer Care team has historically contributed significantly to our total bookings. In each of 2018, 2017 and 2016, at least 17% of our total bookings were generated from the sale of product subscriptions by our Customer Care team.

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 Customer Care to assist them as they create, manage and grow their digital identities. After launching their sites and leveraging our product offerings, customers depend on our Customer Care team 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 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. 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 performance may be negatively impacted by our recently announced CEO transition, and we will continue to depend on the services and performance of our other senior management and key employees.

In August 2019, we announced the appointment of Aman Bhutani as our new Chief Executive Officer, effective as of September 4, 2019, following the resignation of Scott W. Wagner. Our future performance will depend, in part, on the successful transition of Mr. Bhutani as our new Chief Executive Officer. If we do not successfully manage our CEO transition, it could be viewed negatively by our customers, employees or investors and could have an adverse impact on our business. Our future performance also will continue to depend on the services and contributions of our other 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 could significantly delay or prevent the achievement of our development and strategic objectives and could adversely affect our business, financial condition and operating results.

We face significant competition for our products in the domain name registration 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.

We provide cloud-based solutions enabling individuals, businesses and organizations to establish an online presence, connect with customers and manage their ventures. The market for these solutions is highly fragmented and competitive. These solutions are also rapidly evolving, creating opportunity for new competitors to enter the market with point-solution products or address specific segments of the market. In some instances, we have commercial partnerships with companies with which we also compete. Given our broad product portfolio, we compete with niche point-solution products and broader solution providers. Our competitors include providers of domain registration services, 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 Endurance, 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 eBay 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. If Verisign decides to become a registrar, it would become one of our competitors, which could have a negative impact on our business and the 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.

In addition, in an attempt to gain market share, competitors may offer aggressive price discounts or alternative pricing models on the products they offer, such as so-called freemium pricing in which a basic offering is provided for free with advanced features provided for a fee, or increase commissions paid to their referral sources. As a result, increased competition could result in lower sales, price reductions, reduced margins and the loss of market share. Moreover, competitors and other third-parties may aggressively bid on Google AdWords, which could result in increased marketing expenses making it difficult for us to compete.

Furthermore, conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors or continuing market consolidation. Innovative new start-up companies and large competitors making significant investments in technology and development may invent similar or superior products and technologies competing with our products and technology. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their ability to compete. 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. To remain competitive, 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.

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

Bookings outside of the U.S. represented approximately 35%, 33% and 28% of our totals for 2018, 2017 and 2016, respectively. In 2012, we began localizing our products in numerous markets, languages and currencies, expanding our systems to accept payments in forms common outside of the U.S., focusing our marketing efforts in numerous non-U.S. geographies, tailoring our Customer Care offerings to serve these markets, expanding our infrastructure in various non-U.S. locations and establishing Customer Care operations in overseas locations. We have continued our international expansion efforts, such as our acquisition of Host Europe Holdings Limited (HEG). 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. 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. 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 support for, our products;
- compliance with foreign laws, including laws regarding online disclaimers, advertising, liability of online service providers for activities of customers especially with respect to hosted content, 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, web-hosting and other products in foreign jurisdictions;
- greater difficulty in enforcing contracts, including our universal terms of service and other agreements;
- 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 economic tensions and trade negotiations between the United States and China;
- different or lesser degrees of protection for our or our customers' intellectual property and free speech rights in certain markets;
- increased exposure to foreign currency risks;
- increased risk of a failure of employees to comply with both U.S. and foreign laws, including export and antitrust regulations, anti-bribery regulations and any trade regulations ensuring fair trade practices;
- 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.

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. In particular, we have invested, and intend to continue to invest, in product marketing, infrastructure and personnel to support our international expansion efforts. These increased marketing 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. These and other factors associated with our international operations could impair our growth prospects and adversely affect our business, operating results and financial condition.

Mobile devices are increasingly used to access the Internet, and our cloud-based and mobile support products may not operate or be as effective when accessed through these devices, which could harm our business.

Historically, we designed our web-based products for use on a desktop or laptop computer; however, mobile devices, such as smartphones and tablets, are increasingly being used as the primary means for accessing the Internet and conducting e-commerce. We are dependent on the interoperability of our products with third-party mobile devices and mobile operating systems, as well as web browsers we do not control. Any changes in such devices, systems or web browsers which degrade the functionality of our products or give preferential treatment to competitive products could adversely affect usage of our products. In the event our customers have difficulty accessing and using our products on mobile devices, our customer growth, business and operating results could be adversely affected.

We have made significant investments in recent periods 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 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 must also continue to increase the productivity of our existing employees and hire, train and manage new employees while maintaining our unique corporate culture. If we fail to manage our growth or change in a manner that fails to preserve the key aspects of our corporate culture, the quality of our platform, products and Customer Care may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers and employees.

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 and Asia; our targeted marketing spending to attract new customer groups, such as Web Pros and customers 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 Customer Care teams.

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 experienced rapid growth over the last several years, which has the potential to strain our management, administrative, operational and financial infrastructure. 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.

In January 2016, we selected a new enterprise resource planning system. We completed the implementation of the human capital management portion of our system in 2016; we continue to make improvements on that system as needed. We began work on the system implementation of the financial portion in 2017 and substantially completed this work in mid-2019; we continue to make improvements on that system as needed. In addition, we continue to plan for and implement new systems as well as make enhancements to existing platforms and tools, including ecommerce and revenue recognition. 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. 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 and 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 our business and address the needs of our customers, such as our recent acquisitions of HEG, FreedomVoice, Sucuri and Main Street Hub. We cannot ensure we will be able to successfully integrate the acquired products, talent and technology, benefit from increased subscriptions and revenue and achieve the revenue and expense synergies we expect as a result of these transactions. 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. If we do complete acquisitions, we may be unsuccessful in achieving the anticipated benefits of the acquisition and may fail to integrate the acquired business and operations effectively. 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. 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.

In addition, if we are unsuccessful at integrating the operations or technologies associated with such acquisitions into our company, the revenue and operating results of the combined company could be adversely affected. 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, regulatory compliance practices, employment practices, customer or sales channel issues and failure to integrate prior acquisitions. We are also required to integrate, operate, and manage an acquired company's security infrastructure, which can increase our vulnerability to network attacks, security incidents, or similar events. Any integration process may result in unforeseen operating difficulties and require significant time and resources, and we may not be able to manage the process successfully. In particular, 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 may not integrate an acquired company onto our systems as planned, requiring us to depend on their legacy systems for longer than anticipated. Additionally, acquired companies may focus on achieving performance earn-outs or contingent payments rather than integrating with us. We may also experience difficulty in effectively integrating or preserving the different cultures and practices of the companies we acquire. Acquisitions may also disrupt our core business, divert our resources and require significant management attention that would otherwise be available for development of our existing business. We may not successfully evaluate or utilize the acquired technology, intellectual property or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. 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.

If the rate of growth of small businesses and ventures is significantly lower than our estimates or if demand for our products does not meet expectations, our ability to generate revenue and meet our financial targets could be adversely affected.

Although we expect continued demand from small businesses and ventures for our products, it is possible the rate of growth may not meet our expectations, or the market may not grow, either of which would adversely affect our business. Our expectations for future revenue growth are based in part on assumptions reflecting our industry knowledge and experience serving small businesses and ventures, as well as our assumptions regarding demographic shifts, growth in the availability and capacity of Internet infrastructure internationally and the general economic climate. If any of these assumptions proves to be inaccurate, our revenue growth could be significantly lower than expected.

Our ability to compete successfully depends on our ability to offer an integrated and comprehensive suite of products enabling our diverse base of customers to get their ideas online and start, grow and run their businesses and ventures. The success of our domains, hosting and presence and business applications offerings is predicated on the assumption that an online presence is, and will continue to be, an important factor in our customers' abilities to establish, expand and manage their businesses quickly, easily and affordably. If we are incorrect in this assumption, for example due to the introduction of a new technology or industry standard superseding the importance of an online presence or which renders our existing or future products obsolete, then our ability to retain existing customers and attract new customers could be adversely affected, which could harm our ability to generate revenue and meet our financial targets.

We rely on search engines to attract a meaningful portion of our customers. If search engines change their search algorithms or policies regarding advertising, increase their pricing or suffer problems, our ability to attract new customers may be impaired.

Many of our customers locate our website and products through Internet search engines such as Google, Yahoo! and Bing. The prominence of our website in response to search inquiries is a critical factor in attracting potential customers to our websites. Search engines revise their algorithms from time to time in an attempt to optimize their search results. If search engines on which we rely for algorithmic listings 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 that we may not be able to replace. 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.

Furthermore, competitors may in the future bid on our brand names and other search terms we use to drive traffic to our websites. Such actions could increase our advertising costs and result in decreased traffic to our websites. In addition, search engines or social networking sites may change their advertising policies from time to time. Moreover, the use of voice recognition technology such as Alexa, Google Assistant, Cortana or Siri may drive traffic away from search engines, potentially resulting in reduced traffic to our website. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our subscriptions.

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-Exchange 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, Facebook Pages and Google. In addition, we provided 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.

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;
- 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, including our new enterprise resource planning system;
- 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, 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;
- 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 acquisition of HEG 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;
- 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 have a history of operating losses and may not be able to maintain profitability in the future.

We had net income of \$82 million and \$140 million in 2018 and 2017, respectively; however, we had a net loss of \$22 million in 2016. 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. 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.

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.

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 and make acquisitions. We may try to raise additional funds through public or private financings, strategic relationships or other arrangements. Although our credit agreements 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 our lenders. Accordingly, under certain circumstances, we may incur substantial additional debt.

Our ability to obtain debt or equity funding will depend on a number of factors, including market conditions, interest rates, our operating performance, our credit rating and investor interest. Additional funding may not be available to us on acceptable terms or at all. If adequate funds are 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 and to 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.

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, which are included in the 2018 Form 10-K, we generally recognize revenue from our customers ratably over the respective terms of their subscriptions in accordance with GAAP. Our subscription terms are typically 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.

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. For example, one or more threat actors exploited a vulnerability in the configuration of our DNS setup process to leverage approximately 4,000 reported customer domains to send email messages about a "sextortion" scheme in July 2018, as well as a high-profile bomb threat hoax in December 2018. 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 Amazon Web Services, 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, 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.

Undetected or unknown defects in our products could harm our business and future operating results.

The products we offer or develop, including our proprietary technology and technology provided by third parties, could contain undetected defects or errors. For example, in early 2017 we discovered a small number of recently issued SSL certificates failed due to a software bug inadvertently introduced during a routine code change. We revoked the SSL certificates potentially affected by the bug as a precautionary matter, remedied the bug, contacted affected customers, and initiated a new certificate request on their behalf at no additional cost. The performance of our products could have unforeseen or unknown adverse effects on the networks over which they are delivered as well as, more broadly, on Internet users and consumers and third-party applications and services utilizing our solutions. These adverse effects, defects and errors, and other performance problems

relating to our products could result in legal claims against us that harm our business and damage our reputation. The occurrence of any of the foregoing could result in compromised customer data, loss of or delay in revenues, an increase in our annual refund rate, which has ranged from 6.4% to 6.6% of total bookings from 2016 to 2018, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation or brand and increased costs. In addition, while our terms of service specifically disclaim certain warranties, and contain limitations on our liability, courts may still hold us liable for such claims if asserted against us.

Privacy concerns relating to our technology could damage our reputation and deter existing and new customers from using our products.

From time to time, concerns have been expressed about whether our products or processes compromise the privacy of customers and others. Concerns about our practices with regard to the collection, use, disclosure or security of personally identifiable information, including payment card information, or other privacy related matters, even if unfounded, could damage our reputation and adversely affect our operating results. As we continue to grow our business organically and through acquisitions, the amount of data we store for our customers and related to our employees on our servers (including personally identifiable information) has been increasing. Any systems failure or compromise of our security resulting in the release of our users' or customers' data, or the perception any such incident may have occurred, could seriously limit the adoption of our product offerings, as well as harm our reputation and brand and, therefore, our business. We expect to continue to expend significant resources to protect against security breaches. 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 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 personally identifiable 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 personally identifiable 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 personally identifiable 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, personally identifiable 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, regulations and 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 we utilize to target advertising to our customers, thereby having a negative impact on our ability to maintain and grow our total customers and increase revenue. For example, California recently enacted the California Consumer Protection Act, or the CCPA, that will, among other things, require covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information; the CCPA will go into full effect on July 1, 2020. The CCPA has been amended on multiple occasions and is the subject of proposed regulations of the California Attorney General released on October 10, 2019. 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. 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 and disclosure of such information could require us to modify our products, possibly in a material manner, 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 1995 European Union Data Protection Directive and applicable E.U. member state legislation, and as similarly defined under the GDPR and the proposed ePrivacy Regulation) from our employees and European customers and users, we rely upon the U.S.-E.U. Privacy Shield, as well as E.U. Model Clauses in certain circumstances. Both the U.S.-E.U. Privacy Shield and E.U. Model Clauses have been subject to legal challenge and may be modified or invalidated, and we may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the European Economic Area (EEA). 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. and Canada, have laws and regulations concerning the collection and use of personally identifiable information obtained from their residents, 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 personally identifiable 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, superseding the 1995 European Union Data Protection Directive and becoming directly applicable across E.U. member states. The GDPR includes more 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 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. Further, following a referendum in June 2016 in which voters in the U.K. approved an exit from the E.U. by April 2019, a Data Protection Act substantially implementing the GDPR was enacted in the U.K., effective in May 2018. It remains unclear, however, if the U.K.'s withdrawal from the E.U. will ultimately transpire and, if it does, how U.K. data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the U.K. will be regulated. 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 could result in 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 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 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 personally identifiable information, including payment card information, or our ability to store, process and share such personally identifiable 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.

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, 2018, we had 264 issued patents in the U.S. covering various aspects of our product offerings. Additionally, as of December 31, 2018, we had 109 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 addition, under the laws of certain jurisdictions, patents or other 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, 2018, we had 621 registered trademarks in 69 countries, including the GoDaddy logo and mark in all international markets in which we operate or intend to operate. 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. 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 may be a party to 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 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 sexual harassment. For example, we have faced or continue to face claims related to the Fair Labor Standards Act, the Telephone Consumer Protection Act, the American with Disabilities Act and the Arizona Consumer Fraud Act (and similar state consumer protection statutes). We recently entered into an agreement in principle to settle a class action complaint alleging violation of the Telephone Consumer Protection Act, pursuant to which we will make 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 representative, (iii) notice and administration costs in connection with the settlement, and (iv) attorneys' fees and expenses to legal counsel representing the class (see Part II, Item 1 for additional details). 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. 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.

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 who believe their 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 ACPA, which provides recourse for trademark owners against cybersquatters. The DMCA and the CDA generally protect online service providers like us 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.

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, the recently enacted SESA and FOSTA may 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.

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. 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 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 may inadvertently register or acquire domains that infringe or allegedly infringe third-party rights. 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.

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 or blockages. Such interference could result in a loss of existing users, advertisers, goodwill, and 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.

The FCC previously passed Open Internet rules in February 2015, effective in June 2015, generally providing for Internet neutrality with respect to fixed and mobile broadband Internet service. On December 14, 2017, the FCC voted to repeal these Internet neutrality regulations and return to a "light touch" regulatory framework known as the "Restoring Internet Freedom Order." The FCC's new rules, which took effect in June 2018, repealed the neutrality obligations imposed by the 2015 rules and granted providers of broadband internet access services greater freedom to make changes to their services, including, potentially, changes that may discriminate against or otherwise harm our business. However, a number of parties have appealed these rules. The D.C. Circuit Court of Appeals recently upheld the FCC's repeal, but ordered the FCC to reconsider certain elements of the repeal; thus the future impact of the FCC's repeal and any changes thereto remains uncertain. In addition, in September 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, making California the fourth state to enact a state-level net neutrality law since the FCC repealed its nationwide regulations. This act mandated that all broadband services in California be provided in accordance with California's net neutrality requirements. The U.S. Department of Justice has sued to block the law going into effect, and California has agreed to delay enforcement until the resolution of the FCC's repeal of the federal rules. A number of other states are considering legislation or execution action that would regulate the conduct of broadband providers. In its recent decision on the FCC's repeal, the D.C. Circuit Court of Appeals also ruled that the FCC does not have the authority to bar states from passing their own net neutrality rules. It is uncertain whether the FCC will argue that some state net neutrality laws are preempted by federal law, and challenge such state net neutrality laws on a case-by-case basis. We cannot predict whether the FCC order or state initiatives will be modified, overturned or vacated by legal action. Similarly, the European Union requires equal access to internet content, but as part of its Digital Single Market initiative, the European Union may impose network security, disability access, or 911-like obligations on "over-the-top" services.

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.

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.

Our business is exposed to risks associated with credit card and other online 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.

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. 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.

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 Customer Care team which is a key component of the value we offer our customers. As we continue to evolve our business, we may find it difficult to maintain these important aspects of our corporate culture, which could limit our ability to innovate and operate effectively. Difficulty in preserving our corporate culture will be exacerbated as we continue to expand internationally, grow our employee base and expand our solutions. 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.

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

Our future success and ability to innovate depends, in part, on our ability to continue to attract and retain 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. Competition for highly skilled personnel is frequently intense, particularly in U.S. tech hubs such as the San Francisco Bay area, Seattle and the Boston area. 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; for the U.S. government's 2018 fiscal year, the U.S. issued 85,000 H-1B visas out of 199,000 requests. In addition, the regulatory environment related to immigration under the current presidential administration may increase the likelihood that immigration laws may be modified to further limit the availability of H1-B visas. If a new or revised visa program is implemented, it may impact our ability to recruit, hire and retain qualified skilled personnel, which could adversely impact our business, operating results and financial condition.

We issue equity awards to certain of our employees as part of 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.

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. We 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 2018, 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 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.

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, 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 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. 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 national 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. In particular, the U.K. held a referendum in June 2016 in which voters approved an exit from the E.U., commonly referred to as "Brexit." In March 2017, the U.K. notified the E.U. of its intention to exit as provided in Article 50 of the Treaty on European Union. The terms of the withdrawal are subject to continuing negotiation and it is unclear what economic impact Brexit will have. Brexit has caused significant political uncertainty in both the U.K. and the E.U. The timing of Brexit remains uncertain and the E.U. has extended the deadline for the U.K. to exit the E.U. until January 31, 2020. It is possible the level of economic activity in this region will be adversely impacted, our customers' use of our products and their ventures could be adversely impacted and we could face increased exposure to foreign currency risks, each of which could adversely affect our operating results. For example, registrants with .eu domains will be required to update their contact information with an address in the E.U. or risk forfeiting those domains; registrants of domains with other European-based country code TLDs may be required to do the same.

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.

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 screening and other remedial measures designed to prevent users in embargoed countries and prohibited persons from purchasing or accessing our products or services. Even though we take precautions to prevent transactions with U.S. sanctions targets, there is risk that in the future we could provide our products to such targets despite such precautions. Changes in the list of embargoed countries and regions or prohibited persons 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.

Changes in our products or changes in export and import regulations may create delays in the introduction and sale of our products in international markets or, in some cases, prevent the sale of our products to certain countries, governments or persons altogether. 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.

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

The global nature of our business creates various domestic and local regulatory challenges. 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 similar anti-bribery and anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign government officials and other persons for the corrupt purpose of obtaining or retaining business, directing business to any person or securing any advantage. In addition, companies are required to maintain records accurately and fairly representing their transactions and having an adequate system of internal accounting controls. We face significant risks if we fail to comply with the FCPA 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.

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.

In December 2017, legislation commonly referred to as the Tax Cuts and Jobs Act (TCJA) was signed into law, making many significant changes to U.S. tax laws, including, but not limited to, decreasing the U.S. federal corporate tax rate from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings. We have calculated the impact of the TCJA in accordance with our understanding of the TCJA and guidance available as of the date of the 2018 Form 10-K, as described in more detail in the notes to our audited financial statements contained therein. The consequences of these changes, including whether and how state, local and foreign jurisdictions will react to such changes, have not yet been fully determined. Additional changes in corporate tax rates, the realizability of the net DTAs relating to our U.S. operations, the taxation of foreign earnings and the deductibility of expenses contained in the TCJA or other tax reform legislation could have a material impact on the value of our DTAs, could result in significant one-time charges and could increase our future

U.S. tax expense. Furthermore, changes to the taxation of undistributed foreign earnings could change our future intentions regarding reinvestment of such earnings. The foregoing items could have an adverse effect on our operating results, cash flow or financial condition.

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.

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 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.

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. 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.

Risks Related to Our Industry

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.

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 U.S. or another government or intergovernmental organization may reassess ICANN's role in overseeing the domain name registration market;
- the Internet community, 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, 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 service, or ICANN could adopt unilateral changes to the RAA that are unfavorable to us, that are inconsistent with our current or future plans, or that affect our competitive position;
- International regulatory or governing bodies, such as the International Telecommunications Union, a specialized agency of the United Nations, or the E.U., may gain increased influence over the management and regulation of the domain name registration system, leading to increased regulation in areas such as taxation, privacy and the monitoring of our customers' hosted content;
- ICANN or any third-party registries may implement policy changes impacting our ability to run our current business practices throughout the various stages of the lifecycle of a domain name;
- the U.S. Congress or other legislative bodies in the U.S. could take action unfavorable to us or influencing customers to move their business from our products to those located outside the U.S.;
- the U.S. Congress or other legislative bodies in the U.S. or in other countries could adopt laws that erode the safe harbors from third-party liability in the CDA and DMCA;
- ICANN could fail to maintain its role, potentially resulting in instability in DNS services administration;
- 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. 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 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 will have the right to raise .com wholesale prices up to 7% (per registration year) each year starting in November 2020, subject to ICANN's approval. As a result, 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 any 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.

Our business and financial condition could be harmed materially if small consumers and small businesses and ventures 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. 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.

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. 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 Our Company and Our Organizational Structure

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

We are a holding company and have no material assets other than our ownership of limited liability company units of Desert Newco (LLC Units). We have no independent means of generating revenue or cash flows. We intend 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, including payments under the TRAs, may be limited by our structure.

Our principal asset, 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, plus payments under the TRAs, which we expect will be significant. 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, including distributions to fund any ordinary course payments due under the TRAs. However, Desert Newco's ability to make such distributions may be subject to various limitations and restrictions.

We are a holding company with no operations 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 or as a result of the acceleration of our obligations under the TRAs), we may have to borrow funds and thus our liquidity and financial condition could be materially and adversely affected. To the extent we are unable to make payments under the TRAs for any reason, such payments will be deferred and will accrue interest at a rate equal to one year LIBOR plus 500 basis points until paid.

We are required to pay certain pre-IPO owners for certain tax benefits we may claim, and we expect the payments we are required to make to be substantial.

Any exchanges of LLC Units (together with the corresponding shares of Class B common stock) for shares of our Class A common stock or cash are expected to produce favorable tax attributes for us. When we acquire LLC Units from our pre-IPO owners through these exchanges, both the existing tax basis and anticipated tax basis adjustments are likely to increase (for tax purposes) our depreciation and amortization deductions and therefore reduce the amount of income tax we would be required to pay in the future in the absence of this existing and increased basis. This existing and increased tax basis may also decrease gain (or increase loss) on future dispositions of certain assets to the extent the tax basis is allocated to those assets. In addition, certain acquired net operating losses (NOLs) and other tax attributes are available to us as a result of the pre-IPO organizational transactions. Under the TRAs, we generally expect to retain the benefit of approximately 15% of the applicable tax savings after our payment obligations below are taken into account.

We are a party to five TRAs with our pre-IPO owners. Under four of these agreements, we are generally required to pay to certain pre-IPO owners, in the aggregate, approximately 85% of the amount of savings, if any, in U.S. federal, state and local income tax we are deemed to realize (using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) as a result of (1) any existing tax attributes of LLC Units acquired in the pre-IPO organizational transactions, the benefit of which is allocable to us as a result of such transactions (including the allocable share of Desert Newco's existing tax basis in its assets), (2) NOLs available as a result of such transactions and (3) tax benefits related to imputed interest.

Under the fifth of these agreements, we are generally required to pay to certain pre-IPO owners approximately 85% of the applicable savings, if any, in U.S. federal, state and local income tax we are deemed to realize (using the actual applicable U.S. federal income tax rate and an assumed combined state and local income tax rate) as a result of (1) any step-up in tax basis created as a result of exchanges of their LLC Units for shares of our Class A common stock or cash, (2) any existing tax attributes associated with their LLC Units, the benefit of which is allocable to us as a result of such exchanges (including the allocable share of Desert Newco's existing tax basis in its assets), (3) tax benefits related to imputed interest and (4) payments under the TRA.

The TRAs allow our pre-IPO owners to transfer their rights under the TRAs to third parties, who would then succeed to the rights of our pre-IPO owners under the TRAs. In the event of such a transfer, we would be required to make the payments described above to the new TRA parties in accordance with the terms of the TRAs.

As of December 31, 2018, we have recorded a liability under the TRAs of \$174.3 million payable to certain pre-IPO owners. This is the amount of liability we currently deem probable and estimable, which takes into account limitations on the use of the favorable tax attributes due to limitations of taxable income. Because we anticipate these favorable tax attributes being greater than our taxable income, the excess deductions allocated to us will increase the amount of our NOL carryforwards. We have determined it is more-likely-than-not we will be unable to utilize all of our DTAs subject to the TRAs; therefore, we have

not recorded a liability under the TRAs related to the tax savings we may realize from the utilization of NOL carryforwards and the amortization related to basis adjustments created by exchanges of LLC Units. If utilization of these DTAs becomes more-likely-than-not in the future, at such time, we will record liabilities under the TRAs of up to an additional \$1,101.5 million as a result of basis adjustments under the Internal Revenue Code and up to an additional \$372.3 million related to the utilization of NOL and credit carryforwards, which will be recorded through charges to our statements of operations. However, if these tax attributes are not utilized in future years, it is reasonably possible no amounts would be paid under the TRAs. In this scenario, the reduction of the liability under the TRAs would result in a benefit to our statements of operations.

The payment obligations under the TRAs are obligations of GoDaddy Inc., and we expect the payments we are required to make under the TRAs will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits subject to the TRAs, we expect the tax savings associated with (1) the pre-IPO organizational transactions and (2) future exchanges of LLC Units (together with the corresponding shares of Class B common stock) as described above would aggregate to approximately \$2.1 billion over 15 years, based on the December 31, 2018 closing price of \$65.62 per share of our Class A common stock and assuming all exchanges occurred on the last day of 2018. Under such scenario, we would be required to pay the other parties to the TRAs approximately 85% of such amount, or approximately \$1.8 billion, over such 15 year period. The actual amounts will materially differ from these hypothetical amounts, as the potential future tax savings we will be deemed to realize, and TRA payments to be made by us, will be calculated based in part on the market value of our Class A common stock at the time of exchange and the prevailing applicable U.S. federal tax rate (plus the assumed combined state and local tax rate) applicable to us over the life of the TRAs and will be dependent on our generating sufficient future taxable income to realize the benefit. Payments under the TRAs are not conditioned on Desert Newco's pre-IPO owners' continued ownership of LLC Units.

The actual existing tax basis and increase in tax basis, as well as the amount and timing of any payments under the TRAs, will vary depending upon a number of factors, including the timing of exchanges by the holders of LLC Units, the price of our Class A common stock at the time of the exchange, whether such exchanges are taxable, the amount and timing of the taxable income we generate in the future, the U.S. federal tax rate then applicable and the portion of our payments under the TRAs constituting imputed interest. Payments under the TRAs are expected to give rise to certain additional tax benefits attributable to either further increases in basis or in the form of deductions for imputed interest, depending on the TRA and the circumstances. Any such benefits are covered by the TRAs and will increase the amounts due thereunder. In addition, the TRAs will provide for interest, at a rate equal to one year LIBOR plus 100 basis points, accrued from the due date (without extensions) of the corresponding tax return to the date of payment specified by the TRAs. Under the TRAs, to avoid interest charges, we have the right, but not the obligation, to make TRA payments in advance of the date the payments are otherwise due.

Payments under the TRAs will be based on the tax reporting positions we determine. Although we are not aware of any issue that would cause the IRS to challenge existing tax basis, a tax basis increase or other tax attributes subject to the TRAs, if any subsequent disallowance of tax basis or other benefits were so determined by the IRS, we would not be reimbursed for any payments previously made under the applicable TRAs (although we would reduce future amounts otherwise payable under such TRAs). In addition, the actual state or local tax savings we realize may be different than the amount of such tax savings we are deemed to realize under the TRAs, which will be based on an assumed combined state and local tax rate applied to our reduction in taxable income as determined for U.S. federal income tax purposes as a result of the tax attributes subject to the TRAs. As a result, payments could be made under the TRAs in excess of the tax savings we realize in respect of the attributes to which the TRAs relate.

In certain cases, payments under the TRAs may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRAs.

The TRAs provide (1) in the event we materially breach any of our material obligations under the agreements, whether as a result of failure to make any payment within three months of when due (provided we have sufficient funds to make such payment), failure to honor any other material obligation required thereunder or by operation of law as a result of the rejection of the agreements in a bankruptcy or otherwise or (2) if, at any time, we elect an early termination of the agreements, our (or our successor's) obligations under the applicable agreements (with respect to all LLC Units, whether or not LLC Units have been exchanged or acquired before or after such transaction) would accelerate and become payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the tax deductions, tax basis and other tax attributes subject to the applicable TRAs. Under the terms of the TRAs, we may not elect an early termination of the TRAs without the consent of a majority of our directors.

Additionally, the TRAs provide that upon certain mergers, asset sales, other forms of business combinations or other changes of control, material amounts payable under the TRA would be accelerated. In addition, our (or our successor's) tax savings under the applicable agreements for each taxable year after any such event would be based on certain assumptions, including that we will have sufficient taxable income to fully utilize the deductions arising from the tax basis and other tax attributes subject to the applicable TRAs. Furthermore, the TRAs will determine the tax savings by excluding certain future tax attributes we obtain the use of as a result of acquiring other entities to the extent such tax attributes are the subject of tax receivable agreements we enter into in connection with such acquisitions.

As a result of the foregoing, (1) we could be required to make payments under the TRAs that are greater than or less than the specified percentage of the actual tax savings we realize in respect of the tax attributes subject to the agreements and (2) if we materially breach a material obligation under the agreements or if we elect to terminate the agreements early, we would be required to make an immediate lump sum payment equal to the present value of the anticipated future tax savings, which payment may be made significantly in advance of the actual realization of such future tax savings. In these situations, our obligations under the TRAs could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance we will be able to fund or finance our obligations under the TRAs.

We will not be reimbursed for any payments made to our pre-IPO owners under the TRAs in the event any tax benefits are disallowed.

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 we previously made to them. Any such disallowance would be taken into account in determining future payments under the TRAs and would, therefore, reduce the amount of any such future payments. Nevertheless, if the claimed tax benefits from the tax basis or NOLs are disallowed, our payments under the TRAs could exceed our actual tax savings, and we may not be able to recoup payments under the TRAs that were calculated on the assumption that the disallowed tax savings were available.

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.

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.

Risks Relating to Owning Our Class A Common Stock

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

Technology stocks have historically experienced high levels of volatility. The trading price of our Class A common stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. 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 \$84.97 per share through February 15, 2019. 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;
- 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;
- 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, 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.

Sales of outstanding shares of our Class A common stock into the market in the future could cause the market price of our Class A common stock to drop significantly.

If certain of our existing stockholders sell, or indicate intent to sell, substantial amounts of our Class A common stock in the public market, the trading price of our Class A common stock could decline.

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.

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 November 2018, our board of directors approved the repurchase of up to \$500.0 million of our Class A common stock pursuant to the 2018 Share Repurchase Program. To date, we have repurchased an aggregate of \$458.5 million worth of stock under this program, excluding commissions. In October 2019, our board of directors approved the repurchase of up to \$500.0 million of our Class A common stock pursuant to the 2019 Share Repurchase Program. Under these 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. The share repurchase programs have no time limit, do 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, applicable legal requirements 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.

Risks related to our indebtedness and the Senior Notes

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 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 obligation 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, which would exacerbate the leverage risks described above. Although the agreements governing our indebtedness contain restrictions on our incurring additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. In addition, these restrictions also do not prevent us from incurring 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 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;
- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge or consolidate;
- 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, the 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 lenders 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 the Senior Notes 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 the Senior Notes. If we do not generate sufficient cash to service our indebtedness and repay the Senior Notes, 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 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. 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 the Senior Notes. 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 the Senior Notes. 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 the Credit Facility or any future agreements governing our indebtedness and our failure to obtain a waiver of such default from the lenders, our lenders 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 make payments on the Senior Notes and could substantially decrease the market value of the Senior Notes. Such lenders 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.

Holder 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. 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. 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share repurchase activity during the three months ended September 30, 2019 pursuant to our 2018 Share Repurchase Program was 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 Plan or Program (in thousands)	Approximate Dollar Value of Shares that May Yet be Purchased under the Plan or Program (in millions)
July 1 - July 31	—	N/A	—	
August 1 - August 31	3,107	\$ 64.33	3,107	
September 1 - September 30	3,059	\$ 65.29	3,059	
Total	6,166		6,166	\$ 100.5

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

In October 2019, our board of directors approved the \$500.0 million 2019 Share Repurchase Program, as described in Note 17 to our financial statements.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1+*	Amendment to the Employment Agreement by and among GoDaddy.com, LLC, Desert Newco, LLC and Scott Wagner, dated as of July 30, 2019				
10.2+*	Employment Agreement, dated as of September 4, 2019, by and among GoDaddy.com, LLC, Desert Newco, LLC and Aman Bhutani				
10.3+*	Employment Agreement, dated as of September 4, 2019, by and among GoDaddy.com, LLC, Desert Newco, LLC and Andrew Low Ah Kee				
10.4	Amendment No. 3 to the Second Amended and Restated Credit Agreement by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, GD Finance Co, Inc., the lending institutions from time to time party thereto, and Barclays Bank PLC, effective as of October 3, 2019	8-K	001-36904	10.1	10/4/19
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.

Date: November 6, 2019

GODADDY INC.

/s/ Ray E. Winborne

Ray E. Winborne

Chief Financial Officer

AMENDMENT TO SCOTT WAGNER EMPLOYMENT AGREEMENT
JULY 30, 2019

This Amendment (the "**Amendment**") to the Employment Agreement by and among GoDaddy.com, LLC (the "**Company**" or "**GoDaddy**"), Desert Newco, LLC ("**Parent**"), and **Scott Wagner** ("**Executive**") dated as of January 1, 2018 (the "**Employment Agreement**") is being made pursuant to Section 10(b) of the Employment Agreement and is effective as of **July 30, 2019** (the "**Effective Date**"). Capitalized terms used below have the meanings set forth in the Employment Agreement except as otherwise defined herein.

1. **Employment Term.** Effective as of September 4, 2019 (the "**Resignation Date**"), Executive will voluntarily resign as Chief Executive Officer of the Company except as otherwise provided in Section 2 of this Amendment. Until the Resignation Date, Executive will continue to perform the duties, consistent with his position as Chief Executive Officer. This Section 1 of the Amendment specifically amends Sections 1 and 2 of the Employment Agreement.
 2. **Director Term.** Consistent with the resignation letter submitted to GoDaddy Inc. ("**GDDY**") board of directors (the "**Board**") on July 30, 2019, Executive will voluntarily resign as a member of the Board effective as of the Resignation Date. This Section 2 of the Amendment specifically amends the last sentence of Section 5(b) of the Employment Agreement and any other contrary provision of the Employment Agreement.
 3. **Employee Compensation.**
 - (a) Until the Resignation Date, Executive will continue to be paid his base salary, vest in his GDDY equity awards in accordance with the Equity Documents and participate in the Company's employee benefit plans in accordance with their terms.
 - (b) As long as Executive remains as Chief Executive Officer through the Resignation Date, Executive will continue to receive coverage under the Company's health plans through September 30, 2019, at which point Executive's participation such plans will cease, unless he makes a timely election to continue coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), as amended. Assuming Executive makes such a timely election and completes and submits the necessary paperwork, the Company shall pay directly, on Executive's behalf the monthly COBRA premiums for Executive and his eligible dependents for 18 consecutive months thereafter (October 1, 2019 through March 31, 2021), subject to Executive continuing to be eligible for continuation coverage pursuant to COBRA.
 - (c) Executive will be eligible to receive his fiscal 2019 annual bonus (the "**2019 Bonus**") based on the fiscal 2019 executive bonus plan terms in effect as of the Effective Date, provided he remains employed as Chief Executive Officer through the Resignation Date. For the avoidance of doubt, that portion of Executive's 2019 Bonus that is based on achievement of individual performance objectives will be deemed achieved at 100% and the remaining portion of the 2019 Bonus that is based on the achievement of corporate performance objectives will be measured based on the Company's actual levels of achievement against these objectives in accordance with the Company's fiscal 2019 executive bonus plan and as solely determined by the Board. Executive's 2019 Bonus will be prorated based on the Resignation Date and paid in 2020 at the time all other 2019 annual bonus payments are paid, which generally occurs after the filing of the Company's Form 10-K with the Securities and Exchange Commission, and, in any event, no later than March 15, 2020.
 4. **Acknowledgements.** Executive acknowledges and agrees that:
 - (a) effective as of the Effective Date, Executive waives his right to assert "Good Reason" under Section 5 of the Employment Agreement in exchange for the promises made herein by Company, Parent, and GDDY;
 - (b) until the Resignation Date, Executive's rights under Section 5 (Termination of Employment) of the Employment Agreement will remain in full force and effect subject to any conditions set forth in the Employment Agreement, and except as amended by Section 2 and Sections 4(a) and 4(c) of this Amendment;
-

(c) following the Resignation Date, Executive is not entitled to any additional compensation or equity award or equity vesting from the Company or any of its subsidiaries or affiliates other than his Accrued Obligations and the compensation set forth in this Amendment; and

(d) the Employment Agreement continues to remain in full force and effect, except as amended by this Amendment.

5. **Entire Agreement.** The Employment Agreement (as amended by the Amendment), Restrictive Covenant Agreement, and the Equity Documents contain the entire understanding of the parties with respect to the subject matter of this agreement and supersede any prior agreements or understandings (including verbal agreements) between the parties relating to the subject matter of this agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. Notwithstanding the foregoing, Executive shall be covered by the Company's applicable liability insurance policy and its indemnification provisions for actions taken on behalf of the Company during the course of Executive's employment and service on the Board. This Amendment may not be altered, modified, or amended except by written instrument signed by the parties that references Section 10(b) of the Employment Agreement.

6. **Counterparts.** This Amendment may be executed in counterparts. Each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement.

Each party is signing this Amendment on the date set out below its signature.

GoDaddy.com, LLC

/s/ Nima Jacobs Kelly
By: Nima Jacobs Kelly
July 30, 2019

Scott W. Wagner

/s/ Scott Wagner
July 30, 2019

Desert Newco, LLC

/s/ Nima Jacobs Kelly
By: Nima Jacobs Kelly
July 30, 2019

GoDaddy Inc.

/s/ Nima Jacobs Kelly
By: Nima Jacobs Kelly
July 30, 2019



This Employment Agreement (the “**Agreement**”) is entered into for employment as Chief Executive Officer beginning on **September 4, 2019** (the “**Effective Date**”) by and among GoDaddy.com, LLC (the “**Company**”), GoDaddy Inc. (“**GoDaddy**”), Desert Newco, LLC (“**Parent**”) and **Aman Bhutani** (“**Executive**”) (hereinafter collectively referred to as the “**Parties**”).

Summary of Material Terms

Term	Summary	Cross-Reference
Position	Chief Executive Officer and Director	Section 1
Reports to	Board of Directors	Section 1
Employment Term	Through December 31, 2024 unless extended	Section 2
Annual Salary	\$1,000,000	Section 3(a)
Annual Target Bonus	100% of annual salary	Section 3(b)
Non-Change in Control Severance	<ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 100% of annual salary • 100% Annual Target Bonus for year of termination • Payment equal to the cost of health insurance coverage for 18 months • Acceleration of time-based equity awards that would have vested in next 12 months • Pro-rata vesting of performance-based equity awards that would have vested for the performance period in which termination occurs, based on actual performance 	Section 5(b)(iii)
Change in Control Severance	<ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 150% of annual salary • 150% of Annual Target Bonus for the year of termination • Payment equal to the cost of health insurance coverage for 18 months • Acceleration of all time-based and performance-based equity awards (at the greater of target or actual performance) 	Section 5(b)(iv)

1. Duties and Scope of Employment. Executive will serve as the Chief Executive Officer of GoDaddy and the Company reporting to GoDaddy’s Board of Directors (the “**Board**”), and will perform the duties, consistent with this position, as the Board reasonably assigns. Effective as of the Effective Date, Executive will be appointed to serve as a member of the Board and during the period in which Executive is serving as Chief Executive Officer, GoDaddy shall nominate Executive to continue such service on the Board.

2. Employment Term. Subject to the provisions of Section 5, beginning on the Effective Date and, continuing until **December 31, 2024**, Executive will be employed with the Company on the terms and subject to the conditions set forth in this Agreement; provided, however, that beginning on **December 31, 2023** and on each one year anniversary thereafter (each an “**Extension Date**”), the Employment Term will be automatically extended for an additional one-year period, unless the Company or Executive provides the other party written notice at least 30 calendar days before the Extension Date that the Employment Term will not be extended.

3. Compensation.

(a) **Signing Bonus.** Executive will receive a signing bonus of **\$1,000,000.00** (less applicable taxes, deductions and withholdings), payable in the first pay period after his start date. If Executive's employment with GoDaddy ends within a year of Executive's start date due to Executive's resignation without Good Reason or termination by the Company for Cause, Executive will be required to return a pro-rated portion of the net after-tax amount of the signing bonus, in an amount proportional to the amount of time between Executive's last day of employment and the one year anniversary of his start date.

(b) **Base Salary.** The Company will pay Executive an annual salary of **\$1,000,000.00** as compensation for services (the "**Base Salary**"). The Base Salary will be paid according to the Company's normal payroll practices and subject to the usual and required withholdings. Executive's salary may be reviewed and adjusted annually by the Board.

(c) **Annual Bonus.**

(i) Commencing with the 2019 fiscal year, Executive will be eligible to earn an annual cash Management by Objective ("**MBO**") bonus equal to **100%** of Executive's annual base salary, based upon achievement of individual and corporate performance goals. The individual and corporate goals are weighted – which means that 80% of Executive's target annual cash bonus is based on company goals (subject to minimum and maximum limits as established by the Board of Directors ("**Board**") or the Compensation Committee of the Board (the "**Committee**")) and 20% is comprised of Executive's individual goals. Payment of the 2019 annual bonus will be prorated based on Executive's start date with GoDaddy. The annual bonus is paid when practicable after the Board or Committee determines it has been earned, subject to Executive being employed on the date of payment.

(ii) For all fiscal years, if a non-individual performance target is lowered for other senior executives, then it will be lowered for Executive as well. If any Annual Bonus is earned, it will be paid when practicable after the Committee determines it has been earned, subject to Executive being employed on the date of payment (except as provided herein). For future years, the Committee may modify the structure and performance objectives used for Annual Bonus determinations.

(d) **Equity Awards.** As soon as practicable following, and in no event more than thirty (30) days after, the Effective Date, Executive will be granted an equity award with an aggregate value of **\$20,000,000.00** covering GoDaddy Inc. Class A common stock (the "**Equity Awards**"), which will be governed by the terms and conditions of the GoDaddy Inc. 2015 Equity Incentive Plan (the "**2015 Incentive Plan**") and the publicly-filed and currently available forms of award agreement thereunder (collectively, including the 2015 Incentive Plan, the "**Equity Documents**") to be allocated as follows:

- (i) 33.33% to time-based Restricted Stock Units ("**RSUs**");
- (ii) 33.33% to performance-Based restricted stock units ("**PSUs**"); and
- (iii) 33.34% to time-based Stock Options ("**Stock Options**").

The number of shares of GoDaddy Inc. Class A common stock subject to Executive's Equity Awards will be calculated by dividing (1) the value of the proposed RSU and PSU awards by the 30-trading day volume weighted average price as of the last trading day of the month prior to Executive's start date ("**30-day VWAP**") and (2) the value of the proposed Stock Option award by the 30-day VWAP multiplied by the Black-Scholes factor.

(e) **Equity Award Vesting.** Executive's equity grant will vest as follows, *provided* Executive continues to be a Service Provider (as defined in the 2015 Incentive Plan) through the applicable vesting date:

- (i) **Stock Options.** Executive's Stock Option award will vest over a 4-year period as follows: (a) 30% will vest on the 1st anniversary of Executive's vest start date ("**Initial Option Vesting Date**"); (b) 7.5% will vest on

the quarterly anniversary of the Initial Option Vesting Date for each of the next 4 quarters; and (c) 5% will vest on each quarterly anniversary thereafter for each of the next 8 quarters.

(ii) **RSUs.** Executive's RSU award will vest over a 4-year period as follows: (a) 30% of the RSUs will vest on the first day of the month following the 1-year anniversary of Executive's vest start date (the "**Initial RSU Vesting Date**"); (b) 7.5% of the RSUs will vest on the quarterly anniversary of the Initial RSU Vesting Start Date for each of the next 4 quarters; and (c) 5% of the RSUs will vest on each quarterly anniversary thereafter for each of the 8 quarters.

(iii) **PSUs.** Executive's PSU award will vest based on the Company's achievement of its performance goals for fiscal years 2020, 2021, 2022 and 2023, achievement of which shall be determined solely by the Committee and the Board and vest as follows, provided Executive continues to be a Service Provider through the applicable date: 25% of the PSUs shall vest annually on the date the Committee and the Board determine whether and to what extent the applicable performance targets have been met.

(f) **Annual Focal Equity Awards.** Beginning with the Company's 2021 year and each fiscal year thereafter during the term of this Agreement (and subject to the approval of the Board), Executive will receive an annual focal equity award in accordance with the Board's and Committee's past practice, including the timing of making the grant, the Company's and Executive's performance, and reviewing the market compensation data of the Company's peer group companies (which are identified annually by the Compensation Committee), to be allocated as follows:

- (i) 33.33% to PSUs;
- (ii) 33.33% to time-based RSUs; and
- (iii) 33.34% to time-based Stock Options.

Each year, the number of shares subject to the RSUs and PSUs will be calculated by dividing the value of Executive's proposed equity awards by the volume weighted average price for the 30 trading days immediately preceding the grant date, and for the Stock Option portion of the equity award, by dividing the value of the proposed equity award by the volume weighted average price for the 30 trading days immediately preceding the grant date multiplied by the Black-Scholes factor. Vesting of these equity awards will be in accordance with the vesting schedule no less favorable than the vesting schedule generally applicable to the Company's executive officers' contemporaneous grants, and further subject to Executive continuing to be a Service Provider through each vesting date.

(g) **Additional Terms.** In the event a Change in Control (as defined in the Plan) where any outstanding Awards granted to Executive are not to be continued as contemplated under Section 14(c) of the Plan, then notwithstanding any provision of the 2015 Incentive Plan (including Section 18 thereof) or any award agreement to the contrary, the vesting of those Awards will accelerate in full such that Executive will receive payment of the full value thereof, or, to the extent applicable, the reasonable opportunity to exercise any such Awards ahead of the closing of the Change in Control.

4. Employee Benefits.

(a) Executive will be entitled to participate in the employee benefit plans, including invention incentive programs, maintained by the Company and generally applicable to senior executives of the Company. The Company may cancel or change the benefit plans and programs it offers and those changes will not breach this Agreement.

(b) During and after Executive's employment by the Company and service on the Board, Executive will be provided coverage under the Company's directors' and officers' liability insurance policy and form of indemnification agreement as in effect for other senior executives of the Company and its Board members. In addition, and concurrently with the execution of this Agreement, the Company and Executive shall enter into an indemnification agreement.

5. Termination of Employment; Severance.

(a) **At-Will Employment.** Executive and the Company agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without Cause or notice. Executive understands and agrees this at-will employment relationship will not be modified or amended unless it is done in a writing that complies with Section 10(f) and Section 10(i) and explicitly references this Section 5(a). Executive's employment will terminate upon the earlier to occur of

(i) a termination by the Company with or without Cause (for clarity, including Executive's termination in connection with the Company delivering notice to Executive that the Company will not renew the employment term pursuant to Section 2 above if Executive is able and willing to continue employment on the terms set forth in this Agreement at the time of such notice of non-renewal and further that Executive continues to perform services hereunder through the remainder of the term of the Agreement, or if earlier, the date set forth in the notice);

(ii) Executive's Disability or death; or

(iii) a resignation by Executive with or without Good Reason.

(b) **Terminations of Employment.** Executive's employment may be terminated under various scenarios addressed in this Section 5(b). Upon any termination of employment, Executive will receive benefits described in Section 5(b)(i). Depending on the circumstances of the termination of employment, subject to the conditions in Section 6, Executive may be entitled to a lump sum payment of the amounts listed under one of Section 5(b)(ii), Section 5(b)(iii), or Section 5(b)(iv). Executive agrees that upon termination of Executive's employment for any reason, Executive will resign as of the date of such termination and to the extent applicable, from the Board (and any committees thereof), the board of directors (and any committees thereof) of any of the Company's affiliates and from any other positions Executive holds with the Company or any of its affiliates.

(i) **Termination for Cause or Resignation Other Than for Good Reason.** Executive's employment may be terminated for Cause, effective upon the Company's delivery to Executive of a Notice of Termination or Executive may resign. If Executive's employment is terminated for Cause or Executive resigns other than for Good Reason, Executive will receive:

(1) the Base Salary accrued through the termination date, payable under the Company's usual payment practices;

(2) reimbursement within 60 days following submission by Executive to the Company of appropriate supporting documentation for any unreimbursed business expenses properly incurred by Executive prior to the termination date; provided that claims for reimbursement are submitted, under Company policy, to the Company within 90 days following the termination date; and

(3) any fully vested and non-forfeitable employee benefits to which Executive may be entitled under the Company's employee benefit plans (other than benefits in the nature of severance pay) (the amounts described in clauses (1) through (3) above are referred to later as the "Accrued Obligations").

(ii) **Termination by Reason of Disability or Death.** Executive's employment may be terminated effective upon the Company's delivery to Executive of a Notice of Termination if Executive becomes Disabled and will automatically terminate upon Executive's death. Upon termination of Executive's employment for either Disability or death, Executive or Executive's estate (as the case may be) will receive:

(1) the Accrued Obligations;

(2) any earned but unpaid Annual Bonus for a prior year. For the avoidance of doubt, if Executive is terminated after the end of a fiscal year but before annual bonuses are approved and paid to other senior executives in the normal course of business, then Executive will receive an Annual Bonus for the prior fiscal year, the actual amount of which will still be subject to the achievement of any performance targets as established by the Company

the achievement of which will be determined by the Company. Any payment under this Section 5(b)(ii)(2) will be paid on the first to occur of (A) the date on which Annual Bonuses are paid generally to the Company's senior executives for the prior year or (B) no later than one day prior to the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(3) a prorated Annual Bonus amount for the year of termination, if any would have been payable to Executive based on achievement of performance criteria if Executive had remained employed through the full fiscal year in which the termination of employment occurred. The prorated amount will be calculated based on the number of calendar days employed and any such prorated amount will be paid no later than one day prior to the date that is 2½ months following the last day of the fiscal year in which such termination occurred.

(iii) Termination Without Cause, Resignation for Good Reason. Executive's employment may be terminated without Cause effective upon the Company's delivery to Executive of a Notice of Termination, or by Executive's resignation for Good Reason effective 60 days following delivery to the Company of Notice of Termination provided such delivery is within 90 days following Executive's initial actual knowledge of the occurrence of events that result in Good Reason. No resignation for Good Reason will be effective unless during the 30-day period following the delivery of the Notice of Termination, the Company has not cured the events that result in Good Reason. If Executive's employment is terminated without Cause (other than by reason of death or Disability), or if Executive resigns for Good Reason, Executive will receive:

- (1) the Accrued Obligations;
- (2) any earned but unpaid Annual Bonus for a prior year;
- (3) an amount equal to 100% of the target Annual Bonus for the year of termination;
- (4) a payment equal to 100% of the annual Base Salary in effect on the termination date;
- (5) a payment equal to the cost of health insurance coverage under COBRA for 18 months;

(6) accelerated vesting of the portion of each of Executive's GoDaddy equity awards that vests solely based on service (including the Option and RSUs but excluding the PSUs or any other performance-based GoDaddy equity awards) that would have vested during the 12 months following the termination date had Executive continued to be a Service Provider under the 2015 Incentive Plan through such period and

(7) vesting of the portion of each of Executive's GoDaddy equity awards that would have vested in whole or in part upon satisfaction of performance criteria (including the PSUs) for the performance period(s) ending on or within twelve (12) months following the termination date assuming Executive's continuous service through each such performance period (with any individual performance criteria deemed fully satisfied) and based on the extent, if any, that the underlying performance criteria for such performance period (s) are satisfied with respect to such awards and multiplied by a fraction, the numerator of which is the number of calendar days elapsed in each such performance period as of the date of Executive's termination of employment and the denominator of which is 365. Such awards shall be settled within five (5) days of the determination of the attainment of the performance criteria for such performance period(s).

(iv) Termination of Employment During a Change in Control Period. If Executive's employment is terminated under circumstances that would entitle Executive to payment of benefits under Section 5(b)(iii) and such termination of employment occurs during the period that begins three months prior to a Change in Control and ends on the date that is 18 months after a Change in Control, then Executive will receive the benefits described in Section 5(b)(iii), but the payment in Section 5(b)(iii)(3) will be equal to 150% of target Annual Bonus, the payment in Section 5(b)(iii)(4) will be equal to 150% of annual Base Salary in effect on the termination date (or the date immediately prior to the Change in Control if higher), the health insurance coverage payment in Section 5(b)(iii)(5) will be for 18 months, and the vesting acceleration benefit in Section 5(iii)(6) will apply to 100% of the then-unvested portion

of Executive's time-based and performance-based GoDaddy equity awards (with vesting of Executive's performance-based GoDaddy equity awards to be determined assuming attainment of the greater of target level performance or actual performance and with any individual performance criteria deemed fully satisfied).

(c) **Exclusive Remedy.** If a termination of Executive's employment with the Company occurs, the provisions of this Section 5 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement. Executive will be entitled to no severance or other benefits upon termination of employment other than those benefits expressly set forth in this Section 5.

6. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) **Separation Agreement and Release of Claims.** Executive will not receive severance pay or benefits other than the Accrued Obligations unless (x) Executive signs and does not revoke a separation agreement and release of claims mutually agreeable between Executive and the Company based on the Company's form release of claims for senior Company executives in effect at the time of Executive's termination to be provided to Executive at the time of such termination (the "**Release**") and (y) such Release becomes effective and irrevocable no later than sixty (60) days following the termination date (such deadline, the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any rights to severance or benefits under this Agreement. All payments will be made upon first Company payroll date following the effectiveness of the Release but will be delayed until the first payroll date in the next-subsequent calendar year if the 60-day Release window spans two calendar years and the first payroll date in the next-subsequent calendar year is later (and it's necessary so their timing does not result in the imposition on Executive of additional taxes under Section 409A). For avoidance of doubt, although Executive's severance payments and benefits are contractual rights, not "damages," Executive is not required to seek other employment or otherwise "mitigate damages" as a condition of receiving such payments and benefits.

(b) If any amount or benefit that would constitute non-exempt "deferred compensation" under Internal Revenue Code ("**Code**") Section 409A would be payable under this Agreement by reason of Executive's "separation from service" during a period in which Executive is a "specified employee" (within the meaning of Section 409A as determined by the Company), then to the extent necessary to avoid the imposition on Executive of additional taxes under Section 409A, any payment or benefits will be delayed until the earlier of six (6) months and one (1) day following Executive's separation from service or Executive's death.

(c) Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Treasury Regulations Section 1.409A-2(b)(2).

(d) **Covenants.** Executive's receipt of any payment or benefits other than Accrued Obligations will be subject to Executive continuing to comply with his confidentiality obligations to the Company and Section 9 hereof, provided that no breach of the foregoing shall constitute grounds for terminating any such payments or benefits unless and until the Company shall have given Executive reasonably detailed written notice of such breach and reasonable opportunity to cure, and Executive shall have failed to reasonably cure such material breach in a timely manner. In no event shall Executive be required to re-pay or restore to the Company any such payments or benefits paid (or due) prior to the occurrence of any such uncured noncompliance.

7. Definitions.

(a) **Cause** means (i) willfully engaging in illegal conduct or gross misconduct that is materially injurious to the Company or any of its Subsidiaries (as defined in the 2015 Incentive Plan); (ii) conviction of, or entry of a plea of nolo contendere or guilty to, a felony or a crime of moral turpitude; (iii) engaging in fraud, material misappropriation, embezzlement or any other act or acts of dishonesty resulting or intended to result directly or indirectly in a gain or personal enrichment to Executive at the expense of the Company or any of its Subsidiaries;

(iv) willful material breach of any written policies of the Company or any of its Subsidiaries including any agreement between Executive and the Company (to the extent such policy or policies were previously provided to Executive); or (v) willful and continual failure to substantially perform his duties with the Company or any of its Subsidiaries (other than a failure resulting from his incapacity due to physical or mental illness), which failure has continued for a period of at least 30 days after a written demand for substantial performance is delivered to Executive by the Company or one of its Subsidiaries which specifically identifies the manner in which the Company believes Executive has not substantially performed Executive's duties.

(b) **Change in Control** means Change in Control as defined in the 2015 Incentive Plan.

(c) **Disabled** means physically or mentally incapacitated and unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties (such incapacity is a "**Disability**"). Any question as to the existence of a Disability will be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each will appoint a physician and those two physicians will select a third physician who will make such determination in writing. The determination will be final and conclusive for this Agreement.

(d) **Good Reason** means (i) a material reduction of Executive's duties, position, reporting structure, or responsibilities, relative to Executive's duties, position, reporting structure or responsibilities as of the Effective Date (including, without limitation, any requirement that Executive report to any person(s) other than the Board); (ii) a material reduction in Executive's Base Salary or Annual Bonus as of the Effective Date; (iii) the relocation of Executive's place of employment to a facility or location more than thirty-five (35) miles from Executive's current place of employment; or (iv) the Company's or GoDaddy's material breach of this Agreement or any other agreement with Executive.

8. Limitation on Payments; Section 280G. If any severance or other benefits payable to Executive (i) are "parachute payments" within the meaning of Code Section 280G and (ii) but for this Section 8, would be subject to the "golden parachute" excise tax imposed by Section 4999 of the Code, then Executive's severance benefits will be reduced to a level that will result in no tax under Code Section 4999 unless it would be better economically for Executive to receive all of the benefits and pay the excise tax. If a reduction in benefits is necessary for this purpose, then the reduction will occur in the following order (1) reduction of the cash severance payments; (2) cancellation of accelerated vesting of equity awards; and (3) reduction of continued employee benefits. If the acceleration of vesting of equity award compensation is to be reduced, that acceleration of vesting will be cancelled in the reverse order of the grant date of Executive's equity awards. Any determination required under this Section 8 will be made in writing by an independent professional services firm chosen by the Company immediately prior to a Change in Control and paid for by the Company and that determination will be conclusive and binding upon Executive and the Company for all purposes.

9. Covenants.

(a) Concurrently with his entry into this Agreement, Executive has entered into the At-Will Employment, Confidential Information, Non-Compete, Work Product & Arbitration Agreement attached as Exhibit A.

(b) During the Employment Term and continuing for a period of 1 year after Executive's termination date, Executive agrees not to make any public statement that is intended, or may reasonably be expected to harm the reputation, business, prospects or operations of the GoDaddy, Parent or any of their subsidiaries (including the Company), any of the investment funds invested in Parent or any affiliated funds (all of the foregoing collectively, the "**Company Group**"); provided, that the non-disparagement provisions of this Section 9(b) will not apply to any statements that Executive makes in addressing any disparaging statements made by the Company Group or their respective officers and/or its directors regarding Executive or Executive's performance as an employee of the Company so long as Executive's statements are truthful. GoDaddy, Parent and their subsidiaries (including the

Company) shall instruct their respective officers and directors to refrain from making any disparaging statements about Executive for the same period for which Executive is subject to the non-disparagement provisions of this Section 9(b); provided, however, that the non-disparagement provisions will not apply to any statements that GoDaddy, Parent or any of their subsidiaries (including the Company) or their respective officers and directors make in addressing any disparaging statements made by Executive regarding the Company Group or its officers and directors so long as such statements are truthful. Executive, Parent, GoDaddy and the Company expressly consider the restrictions contained in this Section 9(b) to be reasonable.

10. Miscellaneous.

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Washington, without regard to conflicts of laws principles thereof.

(b) **Entire Agreement.** This Agreement along with the Offer Letter, the At-Will Employment, Confidential Information, Non-Compete, Work Product & Arbitration Agreement, and the Equity Documents, contains the entire understanding of the parties with respect to Executive's employment and supersedes any prior agreements or understandings (including verbal agreements) between the parties relating to the subject matter of this agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. Notwithstanding the foregoing, Executive shall be covered by the Company's applicable liability insurance policy and its indemnification provisions for actions taken on behalf of the Company during the course of Executive's employment. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties that references this Section 10(b).

(c) **Severability.** In the event that any one or more of the provisions of this Agreement will be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement will not be affected.

(d) **Assignment.** Neither this Agreement nor any of Executive's rights and duties under it is assignable or delegable by Executive. Any purported assignment or delegation by Executive will be null and void. This Agreement may be assigned by the Company to a person or entity which is an affiliate or a successor in interest to substantially all of its business operations. Upon such assignment, the rights and obligations of the Company hereunder will become the rights and obligations of such affiliate or successor person or entity.

(e) **Successors; Binding Agreement.** This Agreement will inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors and heirs.

(f) **Notice.** The notices and all other communications provided for in this Agreement will be deemed to have been duly given when delivered by hand or overnight courier addressed to the addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

GoDaddy.com, LLC To most recent address as set forth
14455 North Hayden Road, Suite 100 in Executive's personnel records
Scottsdale, AZ 85260
Attention: Chief Legal Officer

(g) **Executive Representations.** Executive represents to the Company that the execution of this Agreement by Executive and the Company and the performance of Executive's duties hereunder will not breach, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

(h) **Cooperation.** Subject to the Company's compliance with Section 9(b) and this Section 10(h), Executive will provide Executive's reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment with the Company or its affiliates. Executive's cooperation pursuant to this Section 10(h) will be at no cost to Executive, and if such cooperation occurs after the termination of this Agreement, the Company will promptly advance or reimburse all reasonable costs incurred by Executive in connection with such cooperation. This provision will survive any termination of this Agreement. The Company will provide reasonable compensation to Executive for any services rendered at the Company's request.

(i) **Amendment: Waiver of Breach.** No amendment of this Agreement will be effective unless it is in writing and signed by both parties. No waiver of satisfaction of a condition or failure to comply with an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the waiver, and no such waiver will be a waiver of satisfaction of any other condition or failure to comply with any other obligation. To be valid, any document signed by the Company must be signed by the Company's Chief Executive Officer.

(j) **Counterparts.** This Agreement may be executed in counterparts. Each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement.

Each party is signing this Agreement on the date set out below its signature.

GoDaddy.com, LLC

/s/ Nima Kelly
By: Nima Jacobs Kelly
July 30, 2019

Aman Bhutani

/s/ Aman Bhutani
July 30, 2019

GoDaddy Inc.

/s/ Nima Kelly
By: Nima Jacobs Kelly
July 30, 2019

Desert Newco, LLC (Solely for purposes of Section 9(b) hereof)

/s/ Nima Kelly
By: Nima Jacobs Kelly
July 30, 2019

EXHIBIT A

AT-WILL EMPLOYMENT, CONFIDENTIAL INFORMATION, NON-COMPETE, WORK PRODUCT & ARBITRATION AGREEMENT

At-Will Employment, Confidential Information, Non-Compete, Work Product & Arbitration Agreement

This Agreement between GoDaddy.com, LLC, a Delaware limited liability company with its headquarters in Scottsdale, Arizona, its subsidiaries, affiliates, successors or assigns ("GoDaddy" or the "Company"), and the undersigned employee ("Employee"), is effective on the date that Employee's employment with GoDaddy actively begins, or the date that Employee signs this agreement (the "Agreement"), whichever is later.

- 1. Consideration.** Signing this Agreement is a requirement of Employee's employment with GoDaddy and Employee agrees that employment, if signed on initial hire, or continued employment, if signed during employment, and Employee's receipt of the compensation, pay raises, the Company's confidential and proprietary information, and other benefits paid to Employee by the Company, at present and in the future, and its promise to arbitrate all employment-related disputes, is adequate consideration for entering this Agreement. Furthermore, in connection with that employment, GoDaddy will provide Employee with GoDaddy's confidential information and trade secrets.
 - 2. At-Will Employment.** This Agreement does not change the at-will employment relationship between Employee and GoDaddy, which means that either party may terminate the employment relationship at any time with or without cause, reason or notice, subject to the obligations of the parties hereto under any written employment or other written agreement.
 - 3. Duty of Loyalty.** While employed with GoDaddy, Employee must faithfully and loyally serve GoDaddy and will not take any actions that would interfere with the business of GoDaddy, or conduct work similar to the work Employee performs for GoDaddy for any company or person without the specific written permission of GoDaddy. These obligations are in addition to the common law and statutory duties that apply to Employee as an agent of GoDaddy, such as the general duty of loyalty owed by an agent. Notwithstanding the foregoing or anything in this Agreement, it shall not be a violation of any provision of this Agreement for Employee to continue to serve as a member of or advisor to the board of director of the New York Times Company.
 - 4. Non-Competition.** Employee shall not, during the course of Employee's employment and for a period of one year (and if one year is determined by a court to be unenforceable, for a period of 6 months) following the termination of Employee's employment with GoDaddy, serve as a partner, principal, licensor, licensee, employee, consultant, officer, director, manager, agent, affiliate, representative, advisor, promoter, associate, investor, or otherwise for (except for passive ownership of up to three percent (3%) or less of any entity whose securities have been registered under the Securities Act of 1933, as amended, or Section 12 of the Securities Exchange Act of 1934, as amended) a competitor in the same or a similar capacity to which Employee provided services to GoDaddy or GoDaddy's customers within the prior two years of Employee's employment. A competitor is a person or business that offers products or services that are the same or similar in function or purpose to any products or services provided by GoDaddy.com, LLC, GoDaddy, Inc. or their respective subsidiaries as of the date of the termination of Employee's employment, including any products or services that any of the foregoing entities have taken material steps toward developing and providing as of such date of termination. Because of the nature of services provided on the Internet, this restriction is not geographically limited, provided, however, that if a court determines that the lack of a geographical limitation renders any part of this Agreement unenforceable, this restriction shall be limited to providing such products or services within a 50 mile radius (and if a 50 mile radius is determined by a court to be unenforceable, within a radius of 30
-

miles) from the location in which Employee was employed by GoDaddy at the time of the termination of Employee's employment.

In consideration for the foregoing non-competition covenant, GoDaddy shall provide Employee confidential, proprietary, and trade secret information of GoDaddy, including but not limited to financial data, customer information, pricing, or similar confidential information. GoDaddy's confidential, proprietary, and trade secret information, which Employee acknowledges is sufficient consideration to enter into this Agreement, provides GoDaddy with a competitive advantage in the marketplace. Employee acknowledges that Employee will derive significant value from GoDaddy providing Employee with confidential information and trade secrets to enable Employee to optimize the performance of Employee's job duties. Employee further acknowledges that Employee's fulfillment of the obligations in this Agreement, including but not limited to, Employee's obligations in Sections 4, 5, and 7, is necessary to protect Confidential Information and preserve the value and goodwill of GoDaddy. Employee also acknowledges the time, geographic and scope limitations in Sections 4 and 7 are fair and reasonable in all respects, especially in light of GoDaddy's need to protect Confidential Information and the scope and nature of the GoDaddy's business, and that Employee will not be precluded from gainful employment. In the event of Employee's breach or violation of Sections 4 and/or 7, the restricted periods in Sections 4 and 7 shall be tolled until such breach or violation has been duly cured or resolved.

In the event that any portion of Employee's non-competition covenant is deemed overbroad or unreasonable, the Parties expressly request that the Court reform the covenant to render it reasonable and not overbroad, and the Parties acknowledge that it is the Parties' intent to reform the agreement in the broadest manner possible to render it enforceable rather than to invalidate the Agreement.

5. Non-Disclosure of Confidential Information. Employee will maintain the confidentiality of all Confidential Information, as defined herein, and will not engage in any unauthorized use or disclosure of Confidential Information during employment at GoDaddy and for as long as the information is maintained as Confidential Information by GoDaddy. "Confidential Information" refers to proprietary information in any form related to GoDaddy's business that GoDaddy has not made public or has not authorized for public disclosure and that is not already generally known to the public or to other persons who might obtain value or competitive advantage from its disclosure or use for so long as such proprietary information remains not generally known to the public or to such other persons (other than through any breach of Employee's obligations hereunder). Confidential Information includes, but is not limited to: a) information identified by GoDaddy as Confidential, Internal Use Only or Proprietary; b) GoDaddy's trade secrets, information about released or unreleased products, the marketing or promotion of any of GoDaddy's products, GoDaddy's proprietary business policies or practices, litigation strategy or contract negotiations; and c) the intellectual properties of GoDaddy. All Confidential Information is and shall remain the property of GoDaddy, even if disclosed to Employee. Notwithstanding the foregoing, nothing in this Agreement is intended to limit Employee's rights with respect to any disclosure made in compliance with GoDaddy's Notice of Immunity under the Defend Trade Secrets Act (as set forth in the Employee Handbook). Notwithstanding the foregoing, nothing in this paragraph or any other GoDaddy document or policy prohibits or limits any employees from filing a charge or complaint with, or otherwise communicating with or participating in any investigation or proceeding conducted by, any federal, state or local government agency or commission ("Government Agencies"), including disclosing documents or other information pertaining to GoDaddy without giving notice to, or receiving further authorization from, GoDaddy. Notwithstanding the foregoing, in making any such disclosures or communications, employees should take all reasonable precautions to prevent any unauthorized use or disclosure of information that may constitute GoDaddy Confidential Information to any parties other than the Government Agencies. Employees are also not permitted to disclose any GoDaddy attorney-client privileged communications.

6. Former Employer Information. Employee agrees that during Employee's employment with GoDaddy, Employee will not (i) improperly use, disclose, or induce GoDaddy to use any proprietary information or trade secrets of any former or concurrent employer or other person or entity; and (ii) bring onto the premises of GoDaddy or transfer onto GoDaddy's technology systems any unpublished document, proprietary information, or trade secrets belonging to any such employer, person, or entity unless consented to in writing by both GoDaddy and such employer, person, or entity. Employee further agrees that if Employee has signed a confidentiality agreement or similar type of agreement with any former employer or other entity, that Employee will comply with the terms of any such agreement to the extent that its terms are lawful under applicable law. Employee represents and warrants that, to Employee's knowledge after reasonable review of Employee's computers, cell phones, electronic devices, and documents, that Employee has returned all property and confidential information belonging to all prior employers.

7. Non-Solicitation. While employed by GoDaddy, and for a period of one year following Employee's employment with GoDaddy, Employee agrees: a) not to encourage or induce any GoDaddy employees to end their employment relationship with GoDaddy, and b) not to solicit any person or company that is a current GoDaddy customer at the time of the solicitation or contact to offer the sale of any services or products similar to those offered by GoDaddy, if Employee had actual business contact with the customer or acquired Confidential Information about the customer while employed by GoDaddy. For clarity, in no event shall general advertisements or solicitations not intended to target any employees or customers of GoDaddy (or the hiring of individuals who respond to such advertisements) violate or breach the provisions of this Section 7.

8. Work Product Agreement. As an employee of GoDaddy, Employee may generate "Inventions" (as defined below) that relate to the business or activities in which GoDaddy is engaged. Such Inventions may be suggested by, or result from, Employee's exposure to GoDaddy's confidential information, or arise out of Employee's employment with GoDaddy. Employee understands that if such Inventions are not properly protected, they could be used to cause irreparable harm to GoDaddy. As a result, Employee agrees that the restrictions contained in this Agreement are reasonable and necessary to protect GoDaddy's legitimate business interests.

(a) *Assignment of Rights to Inventions.* Employee agrees that Employee will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby grants and assigns to the Company, or its designee or nominee, all Employee's rights, title and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trade secrets, business processes, software programs and code, software and systems documentation, technical data and know-how, whether or not patentable or subject to register under copyright or similar laws, which Employee may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time Employee is employed by the Company (collectively referred to as "**Inventions**"), unless the Inventions were developed outside regular business hours without using Company equipment or resources and do not relate to any subject matter with which Employee's work with GoDaddy is or may be concerned or which relate to the business carried on by GoDaddy. Employee understands and agrees that the decision whether or not to commercialize or market any Invention developed by Employee solely or jointly with others is within the Company's sole discretion and for the Company's sole benefit and that no royalty will be due to Employee as a result of the Company's efforts to commercialize or market any such Invention.

(b) *Work for Hire.* Employee agrees and acknowledges that all original works of authorship (including literary works, computer programs and code, artistic and graphic works, recordings, models, photographs, slides, motion pictures, and audio-visual works, regardless of the form or manner in which documented or recorded) which are made by Employee (solely or jointly with others) within the scope of and during the period of Employee's employment with the Company, and which are protectable by copyright, whether or not copyright

registration is actively sought by or granted to GoDaddy, are “works made for hire,” as that term is defined in the United States Copyright Act.

(c) *Third Party Intellectual Property.* Employee agrees not to: 1) bring any trade secrets, software or code belonging to others to GoDaddy; or 2) use any trade secrets, software or code belonging to others to produce work product for GoDaddy without proper permission or license from the owners thereof and written permission from GoDaddy.

(d) *Disclosure of Prior Inventions.* Employee agrees to complete Exhibit A describing all inventions, original works of authorship, development, improvements, and trade secrets which were made by Employee prior to employment with the Company (collectively referred to as “**Prior Inventions**”), which belong to Employee, which relate GoDaddy’s proposed business, products or research and development, and which are not assigned to the Company hereunder; or, if Exhibit A is not completed, Employee represents that there are no such Prior Inventions. If Employee in the course of employment with GoDaddy incorporates into a GoDaddy product, process or service a Prior Invention owned by Employee, Employee hereby grants to GoDaddy a nonexclusive, royalty-free, fully paid-up, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with any product, process or service, and to practice any method related thereto.

(e) *Further Assurances.* Employee agrees to reasonably assist GoDaddy, or its designee, at GoDaddy’s expense, in every proper way to secure GoDaddy’s rights in the Inventions in any and all countries, including the disclosure to GoDaddy of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, and all other instruments that GoDaddy deems proper or necessary in order to apply for, register, obtain, maintain, defend, and enforce such rights, and in order to deliver, assign and convey to GoDaddy, its successors, assigns, and nominees the sole and exclusive rights, title, and interest in and to all Inventions, and testifying in a suit or other proceeding relating to such Inventions. Employee agrees that, if GoDaddy is unable because of Employee’s unavailability, mental or physical incapacity, or for any other reason to secure Employee’s signature with respect to any Inventions, including, without limitation, for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright registrations covering such Inventions, then Employee hereby irrevocably designates and appoints GoDaddy and its duly authorized officers and agents as Employee’s agent and attorney-in-fact, to act for and on Employee’s behalf to execute and file any papers and oaths, and to do all other lawfully permitted acts with respect to such Inventions to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by Employee. This power of attorney shall be deemed coupled with an interest and shall be irrevocable. Employee further agrees that Employee’s obligations under this Section 8(e) shall continue after the termination of this Agreement.

9. Arbitration Agreement and Class Action Waiver. As a condition of Employee’s employment with GoDaddy, and in consideration of Employee’s employment or continued employment with the Company as stated above, Employee agrees to the following provisions:

(a) *Arbitration.* The parties agree that any and all controversies, claims, or disputes with anyone (including the Company and any employee, officer, director, shareholder, or benefit plan of the Company, in their capacity as such or otherwise) arising out of, relating to, or resulting from Employee’s employment with the Company or the termination of Employee’s employment with the Company, shall be subject to binding arbitration in accordance with the Judicial Arbitration & Mediation Services, Inc. (“JAMS”) Employment Arbitration Rules & Procedures (“JAMS Rules”) that are in effect at the time the demand for arbitration is made. The JAMS Rules are available online at www.jamsadr.com. The Federal Arbitration Act shall continue to apply with full force and effect notwithstanding the application of the JAMS procedural rules.

Disputes that the parties agree to arbitrate, and thereby agree to waive any right to a trial by jury, include any statutory claims under local, state, or federal law, including, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, as amended, the Rehabilitation Act, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Genetic Information Non-Discrimination Act, the Sarbanes-Oxley Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act, the Fair Labor Standards Act, any claims of harassment, discrimination, and wrongful termination, breach of contract claims, any statutory or common law claims, and any other claims under federal, state, or local law or regulation. Employee further understands that this Agreement to arbitrate also applies to any disputes that the Company may have with Employee.

The Company and Employee agree that neither party will assert a group, class, or collective action against the other, whether in arbitration or court. The Company and Employee agree to waive the right to pursue any group, class, and collective actions against the other. Claims shall only be submitted through individual arbitration. Claims pertaining to different employees shall be heard in separate proceedings.

Except for disputes concerning the enforceability of the group, class, and collective action waiver, the parties agree to delegate to the arbitrator all other claims or disputes regarding this Agreement (including but not limited to its enforceability, scope of terms, and disputes regarding arbitrability under this Agreement).

(b) Procedure. The parties agree that any arbitration will be administered by JAMS pursuant to the JAMS Rules. The parties agree that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing. The parties also agree that the arbitrator shall have the power to award any remedies and relief available under applicable law. Employee agrees that the decree or award rendered by the arbitrator may be entered as a final and binding judgment in any court having jurisdiction thereof. Employee understands that the Company will pay for any administrative or hearing fees charged by the arbitrator or JAMS except that Employee shall pay any filing fees associated with any arbitration that Employee initiates, but only so much of the filing fees as Employee would have instead paid had Employee filed a complaint in a court of law. Employee agrees that the arbitrator shall administer and conduct any arbitration in accordance with the JAMS Rules and laws of the State of Washington, and that the arbitrator shall apply Washington law to any dispute or claim, without reference to rules of conflict of law. To the extent that the JAMS Rules conflict with Washington law, Washington law shall take precedence. Employee agrees that the decision of the arbitrator shall be in writing. Employee agrees that any arbitration under this Agreement shall be conducted in the county in which Employee works.

(c) Remedy. Except as provided by Arizona law and this Agreement, arbitration shall be the sole, exclusive, and final remedy for any dispute between Employee and the Company. Accordingly, except as provided for by Arizona law and this Agreement, neither Employee nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration.

(d) Administrative Relief. Employee understands that this Agreement does not prohibit Employee from pursuing an administrative claim with a local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, including, but not limited to, the Equal Employment Opportunity Commission or the National Labor Relations Board. This Agreement does, however, preclude Employee from pursuing court action regarding any such claim, except as permitted by law.

(e) Voluntary Nature of Agreement. Employee acknowledges and agrees that Employee is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. Employee

further acknowledges and agrees that Employee has carefully read this Agreement and that Employee has asked any questions needed for Employee to understand the terms, consequences, and binding effect of this Agreement and fully understand it, including that *Employee is waiving Employee's right to a jury trial*. Employee agrees that Employee has been provided an opportunity to seek the advice of an attorney of Employee's choice before signing this Agreement. Finally, Employee acknowledges and agrees that nothing in this Agreement alters the at-will nature of Employee's employment with the Company.

(f) *Opt-Out*. Employee acknowledges that Employee has an opportunity to opt-out of this Arbitration Agreement and Class Action Waiver and avoid being bound by its terms. **In order for Employee's opt-out to be valid, Employee must provide written notice of Employee's request to opt-out of the Arbitration Agreement and Class Action Waiver to Legal@GoDaddy.com. To be valid, Employee's written request to opt-out of the Arbitration Agreement and Class Action Waiver must be sent within ten (10) days of the date Employee signed this Agreement.**

10. Remedies. A violation of this Agreement by Employee will cause irreparable harm and continuing injury to GoDaddy for which there is no adequate remedy at law. As a result, if Employee violates this Agreement, GoDaddy will be entitled to injunctive relief, specific performance and any other equitable relief without the need to prove the inadequacy of money damages in addition to all other legal remedies to which GoDaddy may be entitled, including but not limited to actual and consequential damages and attorneys' fees and costs.

11. Controlling Law; Consent to Personal Jurisdiction. This Agreement shall be construed and governed by the laws of the State of Washington and the Parties consent to the exclusive jurisdiction of the federal or state courts of Washington.

12. Entire Agreement. This Agreement constitutes the entire agreement between the Employee and GoDaddy regarding the subject of the Agreement. This Agreement can only be changed by a written agreement signed by both Parties. None of the provisions of this Agreement will be considered waived by any action or inaction of the Parties, or their agents or employees, but only by an instrument in writing signed by the Parties.

13. Successors and Assigns. This Agreement shall automatically inure to the benefit of all successors and assigns of GoDaddy without need for any further action by GoDaddy or Employee. Employee expressly agrees that GoDaddy shall have the right to assign this Agreement to its successors and assigns, and all covenants and agreements hereunder shall inure to the benefit of or be enforceable by said successors and assigns.

14. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction and cannot be reformed to make it enforceable, then such provision shall be severed from this Agreement and the remaining provisions shall remain in full force and effect.

15. Waiver. Waiver by the Company of a breach of any provision of this Agreement will not operate as a waiver of any other or subsequent breach.

16. Survivorship. The rights and obligations of the parties to this Agreement will survive termination of Employee's employment with the Company.

17. Signatures. This Agreement may be signed in two counterparts, each of which shall be deemed an original, with the same force and effectiveness as though executed in a single document.

18. Other. This Agreement shall not be interpreted to limit or reduce the common law or statutory rights or remedies of any party hereto.

GODADDY.COM, LLC

By: _____

Print Name: Nima Jacobs Kelly

Title: Chief Legal Officer

Date: _____

AMAN BHUTANI

Signature: _____

Date: _____

Exhibit A - SUBJECT: Intellectual Property

1. Except as listed in Section 2 below, the following is a complete list of all Prior Inventions relevant to the subject matter of my employment by GoDaddy, that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my employment by GoDaddy:

Additional sheets

2. Due to a prior confidentiality agreement, I cannot complete the disclosure under Section 1 above with respect to Prior Inventions generally listed below, the proprietary rights and duty of confidentiality with respect to which I owe to the following party(ies):

Prior Inventions Party(ies) Relationship

1. _____

2. _____

3. _____

Additional sheets



This Employment Agreement (the “**Agreement**”) is entered into effective as of September 4, 2019 (“**Effective Date**”) by and among GoDaddy.com, LLC (the “**Company**”), GoDaddy Inc. (“**GoDaddy**”), Desert Newco, LLC (“**Parent**”) and **Andrew Low Ah Kee** (“**Executive**”) (hereinafter collectively referred to as the “**Parties**”).

Summary of Material Terms

Term	Summary	Cross-Reference
Position	Chief Operating Officer	Section 1
Reports to	Aman Bhutani - Chief Executive Officer	Section 1
Employment Term	Through December 31, 2024 unless extended	Section 2
Annual Salary	\$500,000	Section 3(a)
Annual Target Bonus	100% of annual salary	Section 3(b)
Non-Change in Control Severance	<ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 100% of annual salary • 100% target Annual Bonus for year of termination • Payment equal to the cost of health insurance coverage for 18 months • Acceleration of time-based equity awards that would have vested in next 12 months • Pro-rata vesting of performance-based equity awards that would have vested for the performance period in which termination occurs, based on actual performance 	Section 5(b)(iii)
Change in Control Severance	<ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 150% of annual salary • 150% of target Annual Bonus for the year of termination • Payment equal to the cost of health insurance coverage for 18 months • Acceleration of all time-based and performance-based equity awards (at the greater of target or actual performance) 	Section 5(b)(iv)

1. Duties and Scope of Employment. Executive will serve as the Company’s Chief Operating Officer, reporting to the Company’s Chief Executive Officer, and will perform the duties, consistent with this position, as assigned by Executive’s supervisor or the Company’s Board of Directors (the “**Board**”).

2. Employment Term. Subject to the provisions of Section 5, beginning on the Effective Date and, continuing until **December 31, 2024**, Executive will be employed with the Company on the terms and subject to the conditions set forth in this Agreement; provided, however, that beginning on **December 31, 2023** and on each one year anniversary thereafter (each an “**Extension Date**”), the employment term will be automatically extended for an additional one-year period, unless the Company or Executive provides the other Party written notice at least 30 calendar days before the Extension Date that the employment term will not be extended.

3. Compensation.

(a) **Base Salary.** The Company will continue to pay Executive an annual salary of **\$500,000.00** as compensation for services (the “**Base Salary**”). The Base Salary will be paid according to the Company’s normal payroll practices and subject to the usual and required withholdings. Executive’s salary may be reviewed and adjusted annually by Executive’s supervisor, the Board or the Compensation Committee of the Board (“**Committee**”).

(b) Annual Bonus.

(i) Executive is eligible to earn a target annual cash bonus of **100%** of Executive's Base Salary based upon achievement of individual and corporate performance objectives established under the Company's executive bonus plan by the Board or the Committee in its sole discretion and payable upon achievement of those applicable objectives, subject to minimum and maximum limits as established by the Company (the "**Annual Bonus**"). The individual and corporate goals will be weighted - which means that for the 2019 fiscal year 80% of Executive's target Annual Bonus is based on Company goals (subject to minimum and maximum limits as established by either the Board or the Committee) and 20% is comprised of Executive's individual and team goals. The annual bonus is paid when practicable after the Board or Committee determines it has been earned, subject to Executive being employed on the date of payment.

(ii) For all fiscal years, if a non-individual performance target is lowered for other senior executives, then it will be lowered for Executive as well. If any Annual Bonus is earned, it will be paid when practicable after the Board or Committee determines it has been earned, subject to Executive being employed on the date of payment (except as provided herein). For future years, the Board or the Committee may modify the structure and performance objectives used for the Annual Bonus determinations.

(c) **Future Equity Awards.** Executive will be eligible to participate in future annual equity grant cycles, provided Executive continues to be a Service Provider at the time of grant as well as Executive's execution of the necessary documentation in effect at the time of grant. The final equity mix and vesting of any future equity awards will be commensurate with the equity awards in effect at the time of grant.

(d) **Equity Compensation.** On the Effective Date, Executive was granted an equity award covering shares of GoDaddy Inc. Class A common stock (the "**Equity Awards**"), which is governed by the terms and conditions of the GoDaddy Inc. 2015 Equity Incentive Plan (the "**2015 Incentive Plan**") and the publicly-filed and currently available forms of award agreement thereunder (collectively, including the 2015 Incentive Plan, the "**Equity Documents**") allocated as follows:

(i) 39,882 time-based restricted stock units ("**RSUs**") that will vest over a two-year period: 50% on the first anniversary of the Effective Date and the remaining on the second anniversary of the Effective Date subject to Executive continuing to be a Service Provider (as defined in the 2015 Incentive Plan) through each vesting date;

(ii) 9,971 performance-based restricted stock units ("**PSUs**") that will vest based on the Company's achievement of its performance goals for fiscal year 2020 that are established by the Board or the Committee for the fiscal year 2020 performance-based focal award grants to the Company's other senior executives, achievement of which shall be determined solely by the Committee and the Board, provided Executive continues to be a Service Provider through the vesting date; and

(iii) 9,971 PSUs that will vest based on the Company's achievement of its performance goals for fiscal year 2021 that are established by the Board or the Committee for the fiscal year 2021 performance-based focal award grants to the Company's other senior executives, achievement of which shall be determined solely by the Committee and the Board, provided Executive continues to be a Service Provider through the vesting date.

4. Employee Benefits.

(a) Executive will be entitled to participate in the employee benefit plans, including invention incentive programs, maintained by the Company and generally applicable to senior executives of the Company. The Company may cancel or change the benefit plans and programs it offers and those changes will not breach this Agreement.

(b) During and after Executive's employment by the Company, Executive will be provided coverage under the Company's directors' and officers' liability insurance policy and form of indemnification agreement as in effect for other senior executives of the Company.

5. Termination of Employment; Severance.

(a) **At-Will Employment.** Executive and the Company agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without Cause or notice. Executive understands and agrees this at-will employment relationship will not be modified or amended unless it is done in a writing that complies with Section 10(f) and Section 10(i) and explicitly references this Section 5(a). Executive's employment will terminate upon the earlier to occur of

(i) a termination by the Company with or without Cause (for clarity, including Executive's termination in connection with the Company delivering notice to Executive that the Company will not renew the employment term pursuant to Section 2 above if Executive is able and willing to continue employment on the terms set forth in this Agreement at the time of such notice of non-renewal and further that Executive continues to perform services hereunder through the remainder of the term of the Agreement, or if earlier, the date set forth in the notice);

(ii) Executive's Disability or death; or

(iii) a resignation by Executive with or without Good Reason.

(b) **Terminations of Employment.** Executive's employment may be terminated under various scenarios addressed in this Section 5(b). Upon any termination of employment, Executive will receive benefits described in Section 5(b)(i). Depending on the circumstances of the termination of employment, subject to the conditions in Section 6, Executive may be entitled to a lump sum payment of the amounts listed under one of Section 5(b)(ii), Section 5(b)(iii), or Section 5(b)(iv). Executive agrees that upon termination of Executive's employment for any reason, Executive will resign as of the date of such termination and to the extent applicable, from the Board (and any committees thereof), the board of directors (and any committees thereof) of any of the Company's affiliates and from any other positions Executive holds with the Company or any of its affiliates.

(i) **Termination for Cause or Resignation Other Than for Good Reason.** Executive's employment may be terminated for Cause, effective upon the Company's delivery to Executive of a Notice of Termination or Executive may resign. If Executive's employment is terminated for Cause or Executive resigns other than for Good Reason, Executive will receive:

(1) the Base Salary accrued through the termination date, payable under the Company's usual payment practices;

(2) reimbursement within 60 days following submission by Executive to the Company of appropriate supporting documentation for any unreimbursed business expenses properly incurred by Executive prior to the termination date; provided that claims for reimbursement are submitted, under Company policy, to the Company within 90 days following the termination date; and

(3) any fully vested and non-forfeitable employee benefits to which Executive may be entitled under the Company's employee benefit plans (other than benefits in the nature of severance pay) (the amounts described in clauses (1) through (3) above are referred to later as the "Accrued Obligations").

(ii) **Termination by Reason of Disability or Death.** Executive's employment may be terminated effective upon the Company's delivery to Executive of a Notice of Termination if Executive becomes Disabled and will automatically terminate upon Executive's death. Upon termination of Executive's employment for either Disability or death, Executive or Executive's estate (as the case may be) will receive:

(1) the Accrued Obligations;

(2) any earned but unpaid Annual Bonus for a prior year. For the avoidance of doubt, if Executive is terminated after the end of a fiscal year but before annual bonuses are approved and paid to other senior executives

in the normal course of business, then Executive will receive an Annual Bonus for the prior fiscal year, the actual amount of which will still be subject to the achievement of any performance targets as established by the Company the achievement of which will be determined by the Company. Any payment under this Section 5(b)(ii)(2) will be paid on the first to occur of (A) the date on which Annual Bonuses are paid generally to the Company's senior executives for the prior year or (B) no later than one day prior to the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(3) a prorated Annual Bonus amount for the year of termination, if any would have been payable to Executive based on achievement of performance criteria if Executive had remained employed through the full fiscal year in which the termination of employment occurred. The prorated amount will be calculated based on the number of calendar days employed and any such prorated amount will be paid no later than one day prior to the date that is 2½ months following the last day of the fiscal year in which such termination occurred.

(iii) Termination Without Cause, Resignation for Good Reason. Executive's employment may be terminated without Cause effective upon the Company's delivery to Executive of a Notice of Termination, or by Executive's resignation for Good Reason effective 60 days following delivery to the Company of Notice of Termination provided such delivery is within 90 days following Executive's initial actual knowledge of the occurrence of events that result in Good Reason. No resignation for Good Reason will be effective unless during the 30-day period following the delivery of the Notice of Termination, the Company has not cured the events that result in Good Reason. If Executive's employment is terminated without Cause (other than by reason of death or Disability), or if Executive resigns for Good Reason, Executive will receive:

- (1) the Accrued Obligations;
- (2) any earned but unpaid Annual Bonus for a prior year;
- (3) an amount equal to 100% of the target Annual Bonus for the year of termination;
- (4) a payment equal to 100% of the annual Base Salary in effect on the termination date;
- (5) a payment equal to the cost of health insurance coverage under COBRA for 18 months;

(6) accelerated vesting of the portion of each of Executive's GoDaddy equity awards that vests solely based on service (including the RSUs but excluding the PSUs or any other performance-based GoDaddy equity awards) that would have vested during the 12 months following the termination date had Executive continued to be a Service Provider under the 2015 Incentive Plan through such period; and

(7) vesting of the portion of each of Executive's GoDaddy equity awards that would have vested in whole or in part upon satisfaction of performance criteria (including the PSUs) for the performance period(s) ending on or within twelve (12) months following the termination date assuming Executive's continuous service through each such performance period (with any individual performance criteria deemed fully satisfied) and based on the extent, if any, that the underlying performance criteria for such performance period (s) are satisfied with respect to such awards and multiplied by a fraction, the numerator of which is the number of calendar days elapsed in each such performance period as of the date of Executive's termination of employment and the denominator of which is 365. Such awards shall be settled within five (5) days of the determination of the attainment of the performance criteria for such performance period(s).

(iv) Termination of Employment During a Change in Control Period. If Executive's employment is terminated under circumstances that would entitle Executive to payment of benefits under Section 5(b)(iii) and such termination of employment occurs during the period that begins three months prior to a Change in Control and ends on the date that is 18 months after a Change in Control, then Executive will receive the benefits described in Section 5(b)(iii), but the payment in Section 5(b)(iii)(3) will be equal to 150% of target Annual Bonus, the payment in Section 5(b)(iii)(4) will be equal to 150% of annual Base Salary in effect on the termination date (or the date immediately

prior to the Change in Control if higher), the health insurance coverage payment in Section 5(b)(iii)(5) will be for 18 months, and the vesting acceleration benefit in Section 5(iii)(6) will apply to 100% of the then-unvested portion of Executive's time-based and performance-based GoDaddy equity awards (with vesting of Executive's performance-based GoDaddy equity awards to be determined assuming attainment of the greater of target level performance or actual performance and with any individual performance criteria deemed fully satisfied).

(c) **Exclusive Remedy.** If a termination of Executive's employment with the Company occurs, the provisions of this Section 5 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement. Executive will be entitled to no severance or other benefits upon termination of employment other than those benefits expressly set forth in this Section 5.

6. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) **Separation Agreement and Release of Claims.** Executive will not receive severance pay or benefits other than the Accrued Obligations unless (x) Executive signs and does not revoke a separation agreement and release of claims mutually agreeable between Executive and the Company based on the Company's form release of claims for senior Company executives in effect at the time of Executive's termination to be provided to Executive at the time of such termination (the "**Release**") and (y) such Release becomes effective and irrevocable no later than sixty (60) days following the termination date (such deadline, the "**Release Deadline**"). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any rights to severance or benefits under this Agreement. All payments will be made upon the first Company payroll date following the effectiveness of the Release but will be delayed until the first payroll date in the next-subsequent calendar year if the 60-day Release window spans two calendar years and the first payroll date in the next-subsequent calendar year is later (and it's necessary so their timing does not result in the imposition on Executive of additional taxes under Section 409A). For avoidance of doubt, although Executive's severance payments and benefits are contractual rights, not "damages," Executive is not required to seek other employment or otherwise "mitigate damages" as a condition of receiving such payments and benefits.

(b) If any amount or benefit that would constitute non-exempt "deferred compensation" under Internal Revenue Code ("Code") Section 409A would be payable under this Agreement by reason of Executive's "separation from service" during a period in which Executive is a "specified employee" (within the meaning of Section 409A as determined by the Company), then to the extent necessary to avoid the imposition on Executive of additional taxes under Section 409A, any payment or benefits will be delayed until the earlier of six (6) months and one (1) day following Executive's separation from service or Executive's death.

(c) Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Treasury Regulations Section 1.409A-2(b)(2).

(d) **Covenants.** Executive's receipt of any payment or benefits other than Accrued Obligations will be subject to Executive continuing to comply with his confidentiality obligations to the Company and Section 9 hereof, provided that no breach of the foregoing shall constitute grounds for terminating any such payments or benefits unless and until the Company shall have given Executive reasonably detailed written notice of such breach and reasonable opportunity to cure, and Executive shall have failed to reasonably cure such material breach in a timely manner. In no event shall Executive be required to re-pay or restore to the Company any such payments or benefits paid (or due) prior to the occurrence of any such uncured noncompliance.

7. Definitions.

(a) **Cause** means (i) willfully engaging in illegal conduct or gross misconduct that is materially injurious to the Company or any of its Subsidiaries (as defined in the 2015 Incentive Plan); (ii) conviction of, or entry of a plea of nolo contendere or guilty to, a felony or a crime of moral turpitude; (iii) engaging in fraud, material

misappropriation, embezzlement or any other act or acts of dishonesty resulting or intended to result directly or indirectly in a gain or personal enrichment to Executive at the expense of the Company or any of its Subsidiaries; (iv) willful material breach of any written policies of the Company or any of its Subsidiaries including any agreement between Executive and the Company (to the extent such policy or policies were previously provided to Executive); or (v) willful and continual failure to substantially perform his duties with the Company or any of its Subsidiaries (other than a failure resulting from his incapacity due to physical or mental illness), which failure has continued for a period of at least 30 days after a written demand for substantial performance is delivered to Executive by the Company or one of its Subsidiaries which specifically identifies the manner in which the Company believes Executive has not substantially performed Executive's duties.

(b) **Change in Control** means Change in Control as defined in the 2015 Incentive Plan.

(c) **Disabled** means physically or mentally incapacitated and unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties (such incapacity is a "Disability"). Any question as to the existence of a Disability will be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each will appoint a physician and those two physicians will select a third physician who will make such determination in writing. The determination will be final and conclusive for this Agreement.

(d) **Good Reason** means (i) a material reduction of Executive's duties, position, reporting structure, or responsibilities, relative to Executive's duties, position, reporting structure or responsibilities as of the Effective Date; (ii) a material reduction in Executive's Base Salary or Annual Bonus as of the Effective Date; (iii) the relocation of Executive's place of employment to a facility or location more than thirty-five (35) miles from Executive's current place of employment; or (iv) the Company's or GoDaddy's material breach of this Agreement or any other agreement with Executive.

8. Limitation on Payments; Section 280G. If any severance or other benefits payable to Executive (i) are "parachute payments" within the meaning of Code Section 280G and (ii) but for this Section 8, would be subject to the "golden parachute" excise tax imposed by Section 4999 of the Code, then Executive's severance benefits will be reduced to a level that will result in no tax under Code Section 4999 unless it would be better economically for Executive to receive all of the benefits and pay the excise tax. If a reduction in benefits is necessary for this purpose, then the reduction will occur in the following order (1) reduction of the cash severance payments; (2) cancellation of accelerated vesting of equity awards; and (3) reduction of continued employee benefits. If the acceleration of vesting of equity award compensation is to be reduced, that acceleration of vesting will be cancelled in the reverse order of the grant date of Executive's equity awards. Any determination required under this Section 8 will be made in writing by an independent professional services firm chosen by the Company immediately prior to a Change in Control and paid for by the Company and that determination will be conclusive and binding upon Executive and the Company for all purposes.

9. Covenants.

(a) Executive acknowledges and agrees to continue to abide by the terms of the Company's confidential information and restrictive covenant agreement previously executed with the Company. ("**Restrictive Covenant Agreement**").

(b) During the Employment Term and continuing for a period of 1 year after Executive's termination date, Executive agrees not to make any public statement that is intended, or may reasonably be expected to harm the reputation, business, prospects or operations of the GoDaddy, Parent or any of their subsidiaries (including the Company), any of the investment funds invested in Parent or any affiliated funds (all of the foregoing collectively, the "**Company Group**"); provided, that the non-disparagement provisions of this Section 9(b) will not apply to any statements that Executive makes in addressing any disparaging statements made by the Company Group or their

respective officers and/or its directors regarding Executive or Executive's performance as an employee of the Company so long as Executive's statements are truthful. GoDaddy, Parent and their subsidiaries (including the Company) shall instruct their respective officers and directors to refrain from making any disparaging statements about Executive for the same period for which Executive is subject to the non-disparagement provisions of this Section 9(b); provided, however, that the non-disparagement provisions will not apply to any statements that GoDaddy, Parent or any of their subsidiaries (including the Company) or their respective officers and directors make in addressing any disparaging statements made by Executive regarding the Company Group or its officers and directors so long as such statements are truthful. Executive, Parent, GoDaddy and the Company expressly consider the restrictions contained in this Section 9(b) to be reasonable.

10. Miscellaneous.

- (a) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles thereof.
- (b) **Entire Agreement.** This Agreement along with the Restrictive Covenant Agreement and the Equity Documents, contains the entire understanding of the parties with respect to Executive's employment and supersedes any prior agreements or understandings (including verbal agreements) between the parties relating to the subject matter of this agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. Notwithstanding the foregoing, Executive shall be covered by the Company's applicable liability insurance policy and its indemnification provisions for actions taken on behalf of the Company during the course of Executive's employment. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties that references this Section 10(b).
- (c) **Severability.** In the event that any one or more of the provisions of this Agreement will be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement will not be affected.
- (d) **Assignment.** Neither this Agreement nor any of Executive's rights and duties under it is assignable or delegable by Executive. Any purported assignment or delegation by Executive will be null and void. This Agreement may be assigned by the Company to a person or entity which is an affiliate or a successor in interest to substantially all of its business operations. Upon such assignment, the rights and obligations of the Company hereunder will become the rights and obligations of such affiliate or successor person or entity.
- (e) **Successors; Binding Agreement.** This Agreement will inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors and heirs.
- (f) **Notice.** The notices and all other communications provided for in this Agreement will be deemed to have been duly given when delivered by hand or overnight courier addressed to the addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.
- GoDaddy.com, LLC To most recent address as set forth
14455 North Hayden Road, Suite 100 in Executive's personnel records
Scottsdale, AZ 85260
Attention: Chief Legal Officer
- (g) **Executive Representations.** Executive represents to the Company that the execution of this Agreement by Executive and the Company and the performance of Executive's duties hereunder will not breach, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain

advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

(h) **Cooperation.** Subject to the Company's compliance with Section 9(b) and this Section 10(h), Executive will provide Executive's reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment with the Company or its affiliates. Executive's cooperation pursuant to this Section 10(h) will be at no cost to Executive, and if such cooperation occurs after the termination of this Agreement, the Company will promptly advance or reimburse all reasonable costs incurred by Executive in connection with such cooperation. This provision will survive any termination of this Agreement. The Company will provide reasonable compensation to Executive for any services rendered at the Company's request.

(i) **Amendment; Waiver of Breach.** No amendment of this Agreement will be effective unless it is in writing and signed by both parties. No waiver of satisfaction of a condition or failure to comply with an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the waiver, and no such waiver will be a waiver of satisfaction of any other condition or failure to comply with any other obligation. To be valid, any document signed by the Company must be signed by the Company's Chief Executive Officer.

(j) **Counterparts.** This Agreement may be executed in counterparts. Each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement.

Each party is signing this Agreement on the date set out below its signature.

GoDaddy.com, LLC

/s/ Nima Kelly
By: Nima Jacobs Kelly
September 24, 2019

Andrew Low Ah Kee

/s/ Andrew Low Ah Kee
September 23, 2019

GoDaddy Inc.

/s/ Nima Kelly
By: Nima Jacobs Kelly
September 24, 2019

Desert Newco, LLC (Solely for purposes of Section 9(b) hereof)

/s/ Nima Kelly
By: Nima Jacobs Kelly
September 24, 2019

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Aman Bhutani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GoDaddy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

By: /s/ Aman Bhutani

Aman Bhutani

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Ray E. Winborne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GoDaddy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

By: /s/ Ray E. Winborne

Ray E. Winborne

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Aman Bhutani, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of GoDaddy Inc. for the fiscal quarter ended September 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: November 6, 2019

By: /s/ Aman Bhutani
Aman Bhutani
Chief Executive Officer
(Principal Executive Officer)

I, Ray E. Winborne, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of GoDaddy Inc. for the fiscal quarter ended September 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: November 6, 2019

By: /s/ Ray E. Winborne
Ray E. Winborne
Chief Financial Officer
(Principal Financial Officer)