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, 2018

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	**46-5769934**
(State or other jurisdiction of incorporation or organization)	(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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 2, 2018 , there were 167,222,303 shares of GoDaddy Inc.'s Class A common stock, $0.001 par value per share, outstanding and 6,294,297 shares of GoDaddy Inc.'s Class B common stock, $0.001 par value per share, outstanding.

GoDaddy Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended September 30, 2018

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains certain forward-looking statements within the meaning of the 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, including our acquisitions of Host Europe Holdings Limited (HEG) and Main Street Hub;
- 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;
- the amount and timing of any repurchases of our Class A common stock under our share repurchase program;

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 Silver Lake. We refer to YAM Special Holdings, Inc., of which Bob Parsons, our founder and a former member of our board of directors, is the sole beneficial owner, as YAM.

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, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 851.2	$ 582.7
Short-term investments	1.0	12.3
Accounts and other receivables	22.5	18.4
Registry deposits	25.0	34.7
Prepaid domain name registry fees	370.2	351.5
Prepaid expenses and other current assets	75.3	59.9
Total current assets	1,345.2	1,059.5
Property and equipment, net	273.1	297.9
Prepaid domain name registry fees, net of current portion	184.2	180.8
Goodwill	2,966.6	2,859.9
Intangible assets, net	1,252.8	1,326.0
Other assets	15.4	14.2
Total assets	$ 6,037.3	$ 5,738.3
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 45.7	$ 59.6
Accrued expenses and other current liabilities	438.8	469.6
Deferred revenue	1,399.7	1,264.8
Long-term debt	16.7	16.7
Total current liabilities	1,900.9	1,810.7
Deferred revenue, net of current portion	629.8	596.8
Long-term debt, net of current portion	2,398.4	2,410.8
Payable to related parties pursuant to tax receivable agreements	189.3	153.0
Other long-term liabilities	63.4	75.0
Deferred tax liabilities	125.7	145.5
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; 166,928 and 132,993 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	0.2	0.1
Class B common stock, $0.001 par value - 500,000 shares authorized; 6,319 and 35,006 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	639.2	484.4
Retained earnings	122.3	87.7
Accumulated other comprehensive loss	(66.0)	(85.7)
Total stockholders' equity attributable to GoDaddy Inc.	695.7	486.5
Non-controlling interests	34.1	60.0
Total stockholders' equity	729.8	546.5
Total liabilities and stockholders' equity	$ 6,037.3	$ 5,738.3

See accompanying notes to condensed consolidated financial statements.

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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,	
	2018	2017	2018	2017
Revenue:				
Domains	$ 309.5	$ 271.5	$ 906.0	$ 775.6
Hosting and presence	263.2	225.9	747.6	619.1
Business applications	106.8	84.8	310.7	235.0
Total revenue	679.5	582.2	1,964.3	1,629.7
Costs and operating expenses [(1)] :				
Cost of revenue (excluding depreciation and amortization)	226.9	200.3	663.5	573.5
Technology and development	112.2	91.0	319.3	261.3
Marketing and advertising	70.1	58.8	212.0	188.7
Customer care	81.8	74.6	238.5	217.0
General and administrative	89.7	65.4	247.1	198.2
Depreciation and amortization	61.3	60.0	176.1	147.1
Total costs and operating expenses	642.0	550.1	1,856.5	1,585.8
Operating income	37.5	32.1	107.8	43.9
Interest expense	(25.0)	(24.4)	(73.5)	(59.2)
Tax receivable agreements liability adjustment	—	—	(0.1)	37.0
Loss on debt extinguishment	—	(5.3)	—	(7.0)
Other income (expense), net	0.7	1.7	1.9	6.1
Income from continuing operations before income taxes	13.2	4.1	36.1	20.8
Benefit for income taxes	0.9	3.0	2.4	6.6
Income from continuing operations	14.1	7.1	38.5	27.4
Income from discontinued operations, net of income taxes	—	22.9	—	17.6
Net income	14.1	30.0	38.5	45.0
Less: net income attributable to non-controlling interests	0.9	7.6	3.9	1.2
Net income attributable to GoDaddy Inc.	$ 13.2	$ 22.4	$ 34.6	$ 43.8
Net income attributable to GoDaddy Inc. per share of Class A common stock —basic:				
Continuing operations	$ 0.08	$ 0.05	$ 0.23	$ 0.31
Discontinued operations	—	0.15	—	0.12
Net income attributable to GoDaddy Inc.	$ 0.08	$ 0.20	$ 0.23	$ 0.43
Net income attributable to GoDaddy Inc. per share of Class A common stock —diluted:				
Continuing operations	$ 0.08	$ 0.04	$ 0.21	$ 0.15
Discontinued operations	—	0.13	—	0.10
Net income attributable to GoDaddy Inc.	$ 0.08	$ 0.17	$ 0.21	$ 0.25
Weighted-average shares of Class A common stock outstanding:				
Basic	162,359	114,836	151,015	102,171
Diluted	182,392	175,219	180,938	177,009

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

Technology and development	$ 14.5	$ 9.3	$ 41.8	$ 26.6
Marketing and advertising	2.4	2.0	7.4	5.2
Customer care	1.4	1.0	3.9	2.6
General and administrative	12.3	7.5	37.2	20.8
Total equity-based compensation expense	$ 30.6	$ 19.8	$ 90.3	$ 55.2

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Net income	$ 14.1	$ 30.0	$ 38.5	$ 45.0
Foreign exchange forward contracts gain (loss), net	1.1	(1.7)	8.1	(6.5)
Unrealized swap gain (loss), net	3.5	(9.9)	15.1	(40.5)
Change in foreign currency translation adjustment	(2.8)	(45.0)	0.8	(45.1)
Comprehensive income (loss)	15.9	(26.6)	62.5	(47.1)
Less: comprehensive income (loss) attributable to non-controlling interests	0.9	(20.2)	8.2	(36.6)
Comprehensive income (loss) attributable to GoDaddy Inc.	$ 15.0	$ (6.4)	$ 54.3	$ (10.5)

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						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
Balance at December 31, 2017	132,993	$ 0.1	35,006	$ —	$ 484.4	$ 87.7	$ (85.7)	$ 60.0	$ 546.5
Net income	—	—	—	—	—	34.6	—	3.9	38.5
Equity-based compensation expense	—	—	—	—	90.3	—	—	—	90.3
Sales of Class A common stock, net of issuance costs	8	—	—	—	—	—	—	—	—
Stock option exercises	3,640	0.1	—	—	60.9	—	—	(6.2)	54.8
Issuance of Class A common stock under employee stock purchase plan	286	—	—	—	11.9	—	—	—	11.9
Effect of exchanges of LLC Units	28,687	—	(28,687)	—	27.9	—	—	(27.9)	—
Liability pursuant to the tax receivable agreements resulting from exchanges of LLC Units	—	—	—	—	(36.2)	—	—	—	(36.2)
Gain (loss) on swaps and foreign currency hedging, net	—	—	—	—	—	—	23.2	—	23.2
Change in foreign currency translation adjustment	—	—	—	—	—	—	0.8	—	0.8
Accumulated other comprehensive income (loss) attributable to non-controlling interests	—	—	—	—	—	—	(4.3)	4.3	—
Vesting of restricted stock units	1,314	—	—	—	—	—	—	—	—
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, 2018	Nine Months Ended September 30, 2017
Operating activities		
Net income	$ 38.5	$ 45.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	176.1	147.1
Equity-based compensation	90.3	55.2
Loss on debt extinguishment	—	7.0
Tax receivable agreements liability adjustment	0.1	(37.0)
Deferred taxes	(19.1)	(15.9)
Gain on sale of discontinued operations	—	(36.7)
Other	9.2	10.6
Changes in operating assets and liabilities, net of amounts acquired:		
Registry deposits	9.5	(4.1)
Prepaid domain name registry fees	(23.0)	(24.3)
Deferred revenue	168.5	208.4
Other long-term liabilities	(22.0)	5.8
Other operating assets and liabilities	3.2	10.2
Net cash provided by operating activities	431.3	371.3
Investing activities		
Purchases of short-term investments	(6.9)	(16.3)
Maturities of short-term investments	18.4	6.6
Business acquisitions, net of cash acquired	(147.2)	(1,875.7)
Purchases of intangible assets	(5.8)	—
Proceeds received from sale of discontinued operations, including adjustments	(4.3)	447.7
Purchases of property and equipment	(49.5)	(60.2)
Net cash used in investing activities	(195.3)	(1,497.9)
Financing activities		
Proceeds received from:		
Debt issued to finance HEG acquisition	—	1,953.1
Stock option exercises	54.8	47.9
Sale of Class A common stock, net of issuance costs	—	22.1
Issuance of Class A common stock under employee stock purchase plan	11.9	9.2
Payments made for:		
Repurchases of LLC Units	—	(275.0)
Financing-related costs	—	(38.9)
Distributions to holders of LLC Units	—	(10.0)
Repayment of HEG acquisition bridge financing	—	(596.6)
Repayment of term loans	(18.7)	(9.0)
Capital leases and other financing obligations	(14.0)	(8.8)
Net cash provided by financing activities	34.0	1,094.0
Effect of exchange rate changes on cash and cash equivalents	(1.5)	3.4
Net increase (decrease) in cash and cash equivalents	268.5	(29.2)
Cash and cash equivalents, beginning of period	582.7	566.1
Cash and cash equivalents, end of period	$ 851.2	$ 536.9

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

	Nine Months Ended September 30,	
	2018	**2017**
Supplemental cash flow information:		
Cash paid during the period for:		
Interest on long-term debt, net of swap benefit	$ 61.8	$ 59.3
Income taxes, net of refunds received	$ 19.6	$ 12.6
Supplemental information for non-cash investing and financing activities:		
Acquisition date fair value of contingent consideration	$ 45.6	$ 14.8
Accrued capital expenditures at period end	$ 4.8	$ 7.1
Property and equipment acquired under capital leases	$ —	$ 6.3

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)

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. Non-controlling interests exclude any net income (loss) attributable directly to GoDaddy Inc. We owned approximately 96% of Desert Newco's limited liability company units (LLC Units) as of September 30, 2018 .

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 the interim periods are not necessarily indicative of the results to be expected for any subsequent period or for the year ending December 31, 2018 .

These financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017 (the 2017 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. Our more significant estimates include:

- the relative stand-alone selling price of the indicated performance obligations included in revenue arrangements with multiple performance obligations;
- the fair value of assets acquired and liabilities assumed in business acquisitions;
- the fair value of contingent consideration arrangements;
- the assessment of recoverability of long-lived assets, including property and equipment, goodwill and intangible assets;
- the estimated reserve for refunds;
- the estimated useful lives of intangible and depreciable assets;
- the grant date fair value of equity-based awards;
- the fair value of financial instruments;
- the recognition, measurement and valuation of current and deferred income taxes;
- the recognition and measurement of amounts payable under TRAs or as tax distributions to Desert Newco's owners; and
- the recognition and measurement of loss contingencies, indirect tax liabilities and certain accrued liabilities.

We periodically evaluate these estimates and adjust prospectively, if necessary. We believe our estimates and assumptions are reasonable; however, actual results may differ from our estimates.

Segment and Reporting Unit

As of September 30, 2018 , 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 segment and reporting unit.

2. Summary of Significant Accounting Policies

Revenue Recognition

Adoption of New Standard on Revenue from Contracts with Customers

On January 1, 2018, we adopted the Financial Accounting Standards Board's (FASB) new revenue recognition standard using the modified retrospective method applied to those contracts not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new standard, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting.

The adoption of the new standard did not have a material impact on our financial statements.

Revenue Recognition

Revenue is recognized when control of the promised services is transferred to our customers, in an amount reflecting the consideration we expect to be entitled to in exchange for those services.

We typically receive payment at the time of sale, the purpose of which is to provide our customers with a simplified and predictable way of purchasing our services. We have determined that our contracts do not include a significant financing component. Payments received in advance of our performance are recorded as deferred revenue. Revenue is recognized net of allowances for returns and applicable transaction-based taxes collected from customers.

Our products are generally sold with a right of return within our policy, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Refunds are estimated at contract inception using the expected value method based on historical refund experience and updated each reporting period as additional information becomes available and only to the extent it is probable a significant reversal of any incremental revenue will not occur. Refunds result in a reduced amount of revenue recognized over the contract term of the applicable product or service.

Our revenue is categorized and disaggregated as reflected in our statements of operations, as follows:

Domains . Domains revenue primarily consists of domain registrations and renewals, domain privacy, domain application fees, domain back-orders, aftermarket domain sales and fee surcharges paid to ICANN. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue, other than for aftermarket domain sales, is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term. Aftermarket domain revenue is recognized when ownership of the domain is transferred to the buyer.

Hosting and presence . Hosting and presence revenue primarily consists of website hosting products, website building products and services, website security products, an online shopping cart and online visibility products. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

Business applications . Business applications revenue primarily consists of third-party productivity applications, email accounts and email marketing tools. Consideration is recorded as deferred revenue when received, which is typically at the time of sale, and revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

See Note 7 for additional information regarding our deferred revenue. See Note 15 for our revenue disaggregated by geography.

Performance Obligations

Our contracts with customers may include multiple performance obligations, including a combination of some or all of the following products or services: domain registrations, website hosting products, website building products and services, website security products and other cloud-based products. Judgment may be required in determining whether products or services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. Revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

For each domain registration or renewal we provide, we have one performance obligation to our customers consisting of two promises: 1) to ensure the exclusive use of the domain during the applicable registration term and 2) to ensure the domain is accessible and appropriately directed to its underlying content. After the contract term expires, unless renewed, the customer can no longer access or use the domain. We have determined these promises are not distinct within the context of our contracts as they are highly interdependent and interrelated and are inputs to a combined benefit. Accordingly, we concluded that each domain registration or renewal represents one service offering and is a single performance obligation.

We may also offer specific arrangements, such as GoCentral, in which we include promises to transfer multiple performance obligations in a single service offering. For such arrangements, we allocate the transaction price to each of the underlying distinct performance obligations based on its relative stand-alone selling price (SSP), as described below.

We have determined that generally each of our other products and services constitutes an individual service offering to our customers, and therefore have concluded that each is a single performance obligation.

For arrangements with multiple performance obligations, we allocate revenue to each distinct performance obligation based on its relative SSP. We use judgment to determine SSP based on prices charged to customers for individual products and services, taking into consideration factors including historical and expected discounting practices, the size, volume and term length of transactions, customer demographics, the geographic areas in which our products and services are sold and our overall go-to-market strategy.

Principal versus Agent Considerations

We sell our products and services directly to customers and also through a network of resellers. In certain cases, we act as a reseller of products provided by others. The determination of gross or net revenue recognition is reviewed on a product-by-product basis and is dependent on our determination as to whether we act as principal or agent in the transaction. Revenue associated with sales through our network of resellers, for certain aftermarket domain sales and for third-party offerings is recorded on a gross basis as we have determined that we control the product before transferring it to our end customers.

Assets Recognized from Contract Costs

Commissions paid to our resellers represent an incremental cost of obtaining a contract with a customer. We capitalize and amortize such amounts to cost of revenue consistent with the pattern of transfer of the service to which the asset relates. Amounts capitalized and amortized were not material during any of the periods presented. Other costs to obtain a contract, such as sales compensation, are expensed as incurred as their amortization period is generally one year or less. Such expenses were not material during any of the periods presented.

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, 2018 and 2017, amortization expense of such asset was $151.2 million and $142.8 million , respectively. During the nine months ended September 30, 2018 and 2017, amortization expense of such asset was $445.2 million and $407.2 million , respectively.

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

Fair Value Measurements

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

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Reverse repurchase agreements [(1)]	$ —	$ 70.0	$ —	$ 70.0
Commercial paper	—	88.9	—	88.9
Money market funds	211.0	—	—	211.0
Short-term investments:				
Certificates of deposit and time deposits	1.0	—	—	1.0
Derivative assets	—	20.2	—	20.2
Total assets measured and recorded at fair value	$ 212.0	$ 179.1	$ —	$ 391.1
Liabilities:				
Contingent consideration liabilities	$ —	$ —	$ 67.3	$ 67.3
Derivative liabilities	—	157.3	—	157.3
Total liabilities measured and recorded at fair value	$ —	$ 157.3	$ 67.3	$ 224.6

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Reverse repurchase agreements (1)	$ —	$ 130.0	$ —	$ 130.0
Commercial paper	—	50.0	—	50.0
Short-term investments:				
Certificates of deposit and time deposits	0.4	—	—	0.4
Commercial paper	—	11.9	—	11.9
Total assets measured and recorded at fair value	$ 0.4	$ 191.9	$ —	$ 192.3
Liabilities:				
Contingent consideration liabilities	$ —	$ —	$ 20.7	$ 20.7
Derivative liabilities	—	206.4	—	206.4
Total liabilities measured and recorded at fair value	$ —	$ 206.4	$ 20.7	$ 227.1

(1) Reverse repurchase agreements include a $70.0 million repurchase agreement with Morgan Stanley, callable with 31 days notice, and a $60.0 million one-week repurchase agreement with Wells Fargo.

Our contingent consideration liabilities, which relate to future earn-out payments associated with our 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,	
	2018	2017
Balance at beginning of period	$ 20.7	$ 6.0
Acquisition date fair value of contingent consideration	45.6	14.8
Adjustments to fair value recognized in earnings	10.0	—
Contingent consideration payments	(10.0)	(0.5)
Impact of foreign currency translation and other	1.0	0.3
Balance at end of period	$ 67.3	$ 20.6

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

Recent Accounting Pronouncements

In February 2016 , the FASB issued new guidance related to accounting for leases. The new standard requires the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. For leases with a term of 12 months or less, a lessee can make an accounting policy election by class of underlying asset to not recognize an asset and corresponding liability. We will adopt the new standard on January 1, 2019 using a modified retrospective approach with a cumulative-effect adjustment, if any, to opening retained earnings. Therefore, upon adoption, we will not adjust our comparative period financial information or make new required lease disclosures for periods before the effective date. We have evaluated the available accounting policy elections and practical expedients permitted by the standard and are in the process of finalizing the related policy considerations and decisions. We plan to adopt the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. While we continue to evaluate the effect of adopting this guidance, we expect the accounting for our operating leases to be the most significant change as a result of the new guidance. We will recognize right-of-use assets and lease liabilities in our consolidated balance sheets upon adoption, which will increase our total assets and liabilities.

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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 , with early adoption permitted. We are currently evaluating the timing of our adoption and the expected impact of this new guidance.

In November 2016 , the FASB issued new guidance requiring amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the amounts shown on the statement of cash flows. Our adoption of this new guidance on January 1, 2018 did not 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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 , with early adoption permitted. We are currently evaluating the timing of our adoption and the expected impact of this new guidance.

In May 2017 , the FASB issued new guidance to amend the scope of modification accounting for share-based payment arrangements. The amendment provides guidance on the types of changes to the terms or conditions of share-based payment awards which would require an entity to apply modification accounting. Our adoption of this new guidance on January 1, 2018 did not have a material impact.

In June 2018 , the FASB issued new guidance to simplify the accounting for nonemployee share-based payment transactions, aligning most of the guidance with the requirements for share-based payments granted to employees. Our adoption of this new guidance effective July 1, 2018 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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 , with early adoption permitted. We are currently evaluating the timing of our adoption and the expected impact of this new guidance.

In August 2018 , the FASB issued new guidance that aligns 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. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 , with early adoption permitted. We are currently evaluating the timing of our adoption and the expected impact of this new guidance.

3. Business Acquisitions

In July 2018 , we completed the acquisition of Main Street Hub (MSH), a social media and reputation management company, for total purchase consideration of $182.0 million , including contingent earn-out payments of up to a maximum of $50.0 million subject to the achievement of certain revenue and operational milestones. The acquisition was completed to further our professional services strategy for small business owners. The contingent consideration was recorded at an estimated acquisition date fair value of $43.4 million .

The purchase price was preliminarily allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. The recognition of goodwill, none of which is deductible for income tax purposes, was made based on the strategic and synergistic benefits we expect to realize from the acquisition. During the measurement period, which will not exceed one year from closing, we will continue to obtain information to assist us in finalizing the acquisition date fair values. Any qualifying changes to our preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill.

The following table summarizes the preliminary estimated fair values of the MSH assets acquired and liabilities assumed:

Total purchase consideration	$	182.0
Fair value of assets acquired and liabilities assumed:		
Cash and cash equivalents		8.0
Intangible assets, net		35.7
Other assets and liabilities, net		3.3
Total assets acquired and liabilities assumed		47.0
Goodwill	$	135.0

Identified finite-lived intangible assets, which were valued using income-based approaches, consist primarily of developed technology and customer relationships. The acquired finite-lived intangible assets have a total weighted-average amortization period of 3.2 years .

Pro forma financial information is not presented because the acquisition of MSH was not material to our consolidated financial statements, either individually or when aggregated with other immaterial acquisitions completed during the nine months ended September 30, 2018 .

During the nine months ended September 30, 2018 , we made $10.5 million of aggregate holdback payments related to prior acquisitions.

4. Goodwill and Intangible Assets

The following table summarizes changes in our goodwill balance:

Balance at December 31, 2017	$	2,859.9
Goodwill related to acquisitions (1)		139.6
Impact of foreign currency translation		(32.9)
Balance at September 30, 2018	$	2,966.6

(1) Goodwill related to acquisitions includes measurement period adjustments related to acquisitions completed in 2017 .

Intangible assets, net are as follows:

	September 30, 2018			
	Gross Carrying Amount	Accumulated Amortization	Domains Sold	Net Carrying Amount
Indefinite-lived intangible assets:				
Trade names and branding	$ 445.0	n/a	n/a	$ 445.0
Domain portfolio	171.0	n/a	$ (20.7)	150.3
Finite-lived intangible assets:				
Customer-related	859.7	$ (385.8)	n/a	473.9
Developed technology	208.2	(95.6)	n/a	112.6
Trade names and other	94.4	(23.4)	n/a	71.0
	$ 1,778.3	$ (504.8)	$ (20.7)	$ 1,252.8

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	December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Domains Sold	Net Carrying Amount
Indefinite-lived intangible assets:				
Trade names and branding	$ 445.0	n/a	n/a	$ 445.0
Domain portfolio	171.0	n/a	$ (18.8)	152.2
Finite-lived intangible assets:				
Customer-related	868.0	$ (320.4)	n/a	547.6
Developed technology	184.5	(82.2)	n/a	102.3
Trade names and other	94.4	(15.5)	n/a	78.9
	$ 1,762.9	$ (418.1)	$ (18.8)	$ 1,326.0

Customer-related intangible assets, developed technology and trade names and other have weighted-average useful lives from the date of purchase of 103 months , 71 months and 110 months , respectively. Amortization expense was $37.3 million and $36.2 million for the three months ended September 30, 2018 and 2017 , respectively, and was $103.3 million and $82.9 million for the nine months ended September 30, 2018 and 2017 , respectively. The weighted-average remaining amortization period for amortizable intangible assets was 76 months as of September 30, 2018 .

Based on the balance of finite-lived intangible assets at September 30, 2018 , expected future amortization expense is as follows:

Year Ending December 31:	
2018 (remainder of)	$ 33.8
2019	140.0
2020	105.3
2021	82.3
2022	80.6
Thereafter	215.5
	$ 657.5

5. Stockholders' Equity

We have completed three underwritten public offerings in which certain stockholders, including KKR, SLP, YAM and certain of our executive officers, sold shares of our Class A common stock. We did not receive any proceeds from the shares sold by the selling stockholders in these offerings. We used the net proceeds from the shares sold by us to pay expenses incurred in connection with the offerings. Each 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 increases in additional paid-in capital, with offsetting reductions in non-controlling interests, and material increases to the liability under the TRAs (see Note 13). Significant details for each 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 ($)
August 2018 [(1)]	75.75	8	0.6	10,391	7,405	7.8
May 2018	70.73	—	—	11,625	8,052	7.6
March 2018	59.21	—	—	16,916	12,821	11.2

(1) Following the August 2018 secondary offering, YAM no longer owns shares of GoDaddy's common stock.

6. Equity-Based Compensation Plans

As of December 31, 2017 , 16,024 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, 2018 , an additional 6,720 shares were reserved for issuance pursuant to the automatic increase provisions of the 2015 Plan. As of September 30, 2018 , 19,405 shares were available for issuance as future awards under the 2015 Plan.

As of December 31, 2017 , 2,551 shares of Class A common stock were available for issuance under the 2015 Employee Stock Purchase Plan (the ESPP). On January 1, 2018 , an additional 1,000 shares were reserved for issuance pursuant to the ESPP. As of September 30, 2018 , 3,265 shares were available for issuance under the ESPP.

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 (RSUs) vesting solely upon the continued employment of the recipient as well as awards vesting upon the achievement of annual or cumulative financial-based targets. We recognize the 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 our option activity:

	Number of Shares of Class A Common Stock (#)	Weighted-Average Grant-Date Fair Value ($)	Weighted-Average Exercise Price ($)
Outstanding at December 31, 2017	13,460		18.63
Granted	1,168	22.13	61.40
Exercised	(3,640)		15.09
Forfeited	(332)		33.05
Outstanding at September 30, 2018	10,656		24.08
Vested at September 30, 2018	6,363		14.72

The following table summarizes our RSU activity:

	Number of Shares of Class A Common Stock (#)	Weighted-Average Grant-Date Fair Value ($)
Outstanding at December 31, 2017	4,199	
Granted	2,871	64.09
Vested	(1,314)	
Forfeited	(370)	
Outstanding at September 30, 2018	5,386	

At September 30, 2018 , total unrecognized compensation expense related to non-vested stock options and RSUs was $39.9 million and $171.9 million , respectively, with expected remaining weighted-average recognition periods of 2.0 years and 2.5 years , respectively. We currently believe the performance targets related to the vesting of performance awards 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 performance awards not expected to vest, and will reverse any previously recognized expense on such awards.

7. Deferred Revenue

Deferred revenue consists of the following:

	September 30, 2018	December 31, 2017
Current:		
Domains	$ 694.5	$ 638.5
Hosting and presence	487.6	444.7
Business applications	217.6	181.6
	$ 1,399.7	$ 1,264.8
Noncurrent:		
Domains	$ 363.2	$ 341.3
Hosting and presence	187.6	183.2
Business applications	79.0	72.3
	$ 629.8	$ 596.8

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, offset by $284.9 million and $1,154.2 million of revenue recognized during the three and nine months ended September 30, 2018 , respectively, that was included in the deferred revenue balance as of December 31, 2017 . The deferred revenue balance as of September 30, 2018 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, 2018 is expected to be recognized as revenue as follows:

	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
Domains	$ 259.3	$ 496.5	$ 146.9	$ 66.3	$ 38.3	$ 50.4	$ 1,057.7
Hosting and presence	195.5	326.4	106.2	26.5	11.8	8.8	675.2
Business applications	85.5	146.6	45.2	12.4	4.2	2.7	296.6
	$ 540.3	$ 969.5	$ 298.3	$ 105.2	$ 54.3	$ 61.9	$ 2,029.5

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2018	December 31, 2017
Derivative liabilities	$ 157.3	$ 206.4
Accrued payroll and employee benefits	87.6	92.3
Tax-related accruals	49.0	54.7
Accrued acquisition-related expenses and acquisition consideration payable	75.2	32.9
Tax and bonus accruals related to sale of discontinued operations	—	28.1
Accrued marketing and advertising expenses	16.1	10.3
Current portion of capital lease obligation	4.4	4.8
Accrued other	49.2	40.1
	$ 438.8	$ 469.6

9. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2018	December 31, 2017
Term Loans (effective interest rate of 4.5% at September 30, 2018 and 4.1% at December 31, 2017)	$ 2,463.6	$ 2,482.3
Revolving Credit Loan	—	—
Total	2,463.6	2,482.3
Less: unamortized original issue discount on long-term debt (1)	(29.1)	(33.0)
Less: unamortized debt issuance costs (1)	(19.4)	(21.8)
Less: current portion of long-term debt	(16.7)	(16.7)
	$ 2,398.4	$ 2,410.8

(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) includes an aggregate of $2,497.5 million in seven -year term loans (the Term Loans) and a $200.0 million five -year revolving credit facility (the Revolving Credit Loan).

The Term Loans mature on February 15, 2024 and bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.25% per annum or (b) 1.25% 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% . We are eligible for a 0.25% reduction in the interest rate margins upon improvement in our corporate credit rating. A portion of the Term Loans are hedged by an interest rate swap. See Note 10 for discussion of this hedging instrument.

The Revolving Credit Loan matures on February 15, 2022 and bears interest at a rate equal to, at our option, either (a) LIBOR plus a margin ranging from 2.00% to 2.50% 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 1.00% to 1.50% per annum, with the margins determined based on our first lien net leverage ratio.

At September 30, 2018 , we had $200.0 million available for borrowing under the Revolving Credit Loan and were not in violation of any covenants of the Credit Facility.

The estimated fair value of the Term Loans was $2,474.4 million at September 30, 2018 based on observable market prices for these loans, which are traded in a less active market and therefore classified as a Level 2 fair value measurement.

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, 2018 are as follows:

Year Ending December 31:	
2018 (remainder of)	$ 6.3
2019	25.0
2020	25.0
2021	25.0
2022	25.0
Thereafter	2,357.3
	$ 2,463.6

10. Derivatives and Hedging

We are exposed to changes in foreign currency exchange rates, primarily relating to 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, all of which are designated as cash flow hedges, on a gross basis:

	Notional Amount		Fair Value of Derivative Assets [2]		Fair Value of Derivative Liabilities [2]	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Derivative Instrument:						
Level 2:						
Foreign exchange forward contracts	$ 59.9	$ 241.3	$ 2.5	$ —	$ —	$ 4.4
Cross-currency swap [1]	1,421.1	1,478.3	—	—	157.3	182.9
Interest rate swap	1,305.6	1,315.5	17.7	—	—	19.1
Total hedges	$ 2,786.6	$ 3,035.1	$ 20.2	$ —	$ 157.3	$ 206.4

(1) The notional values of the cross-currency swap have been translated from Euros to U.S. dollars at the foreign currency rates in effect at September 30, 2018 and December 31, 2017 of approximately 1.16 and 1.20 , respectively.
(2) In our consolidated balance sheets, all derivative assets are recorded within prepaid expenses and other current assets and all derivative liabilities are recorded within accrued expenses and other current liabilities.

The following table summarizes the effect of our designated cash flow hedging derivative instruments on accumulated other comprehensive income (loss) (AOCI):

	Unrealized Gains (Losses) Recognized in Other Comprehensive Income			
	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Derivative Instrument:				
Foreign exchange forward contracts [1]	$ 1.1	$ (1.7)	$ 8.1	$ (6.5)
Cross-currency swap	(3.3)	(12.6)	(21.7)	(6.3)
Interest rate swap	6.8	2.7	36.8	(34.2)
	$ 4.6	$ (11.6)	$ 23.2	$ (47.0)

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

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

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
Foreign Exchange Forward Contracts:						
Reclassified from AOCI into income	$ (0.4)	$ —	$ —	$ 0.1	$ —	$ —
Cross Currency Swap:						
Reclassified from AOCI into income [(1)]	—	7.1	5.6	—	7.1	(48.6)
Interest Rate Swap:						
Reclassified from AOCI into income	—	(1.2)	—	—	(4.1)	—
	$ (0.4)	$ 5.9	$ 5.6	$ 0.1	$ 3.0	$ (48.6)

(1) The amount reflected in other income (expense), net includes $(5.8) million and $48.3 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 three months ended September 30, 2018 and 2017 , respectively.

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Revenue	Interest Expense	Other Income (Expense), Net	Revenue	Interest Expense	Other Income (Expense), Net
Foreign Exchange Forward Contracts:						
Reclassified from AOCI into income	$ (2.3)	$ —	$ —	$ 1.3	$ —	$ —
Cross Currency Swap:						
Reclassified from AOCI into income [(1)]	—	20.7	46.2	—	14.5	(141.8)
Interest Rate Swap:						
Reclassified from AOCI into income	—	(5.9)	—	—	(8.8)	—
	$ (2.3)	$ 14.8	$ 46.2	$ 1.3	$ 5.7	$ (141.8)

(1) The amount reflected in other income (expense), net includes $(47.3) million and $141.2 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, 2018 and 2017 , respectively.

As of September 30, 2018 , we estimate that approximately $23.7 million of net deferred gains related to our 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

We enter into foreign exchange forward contracts with financial institutions to hedge certain forecasted sales transactions denominated in foreign currency. We designate these forward contracts as cash flow hedges, which are recognized as either assets or liabilities at fair value. At September 30, 2018 , the total notional amount of such contracts was $59.9 million , all having maturities of three months or less.

Cross-Currency Swap Contract

In April 2017 , in order to manage variability due to movements in foreign currency 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. Amounts recorded in OCI will be recognized in earnings within or against interest expense when the hedged interest payment is accrued each month.

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 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. The amounts currently accrued for such matters are not material. While the results of such normal course claims and legal proceedings 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, legal proceedings may have an adverse effect on us because of defense costs, diversion of management resources and other factors.

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, 2018 and December 31, 2017 .

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, 2018 and December 31, 2017 .

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, 2018 and December 31, 2017 , our accrual for estimated indirect tax liabilities was $13.9 million and $18.8 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.

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), credit carryforwards 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.

Based on our analysis of tax positions taken on income tax returns filed, we have determined no material liabilities related to uncertain income tax positions were required. 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.

Tax Cuts and Jobs Act of 2017

On December 22, 2017 , the Tax Cuts and Jobs Act of 2017 (the TCJA) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. federal corporate tax rate decrease 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 recorded the estimated impact in accordance with our understanding of the TCJA and guidance available as of December 31, 2017 , as shown in the 2017 10-K.

On December 22, 2017 , the SEC issued guidance to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The completion of our 2017 income tax returns, future guidance and additional information and interpretations with the respect to the TCJA may cause us to adjust the recorded provisional amounts in a future period. We made no such adjustments during the nine months ended September 30, 2018 .

In January 2018, the FASB released guidance on the accounting for the global intangible low-taxed income (GILTI) provisions of the TCJA. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance allows an accounting policy election either to account for deferred taxes related to GILTI inclusions or to treat any taxes on GILTI inclusions as period costs. We have not yet made a policy election with respect to GILTI and have determined its impact to be immaterial.

13. Payable to Related Parties Pursuant to the TRAs

As of December 31, 2017 , our liability under the TRAs was $153.0 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, 2018 , we increased this liability primarily through an aggregate $36.2 million reduction in additional paid-in capital resulting from the exchanges of LLC Units in the secondary offerings discussed in Note 5 . As of September 30, 2018 , our liability under the TRAs was $189.3 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 $1,110.1 million as a result of basis adjustments under the Internal Revenue Code and up to an additional $354.9 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,	
	2018	2017	2018	2017
Numerator:				
Income from continuing operations	$ 14.1	$ 7.1	$ 38.5	$ 27.4
Income from discontinued operations, net of income taxes	—	22.9	—	17.6
Net income	14.1	30.0	38.5	45.0
Less: net income attributable to non-controlling interests	0.9	7.6	3.9	1.2
Net income attributable to GoDaddy Inc.	$ 13.2	$ 22.4	$ 34.6	$ 43.8
Denominator:				
Weighted-average shares of Class A common stock outstanding—basic	162,359	114,836	151,015	102,171
Effect of dilutive securities:				
Class B common stock	10,258	50,601	19,988	64,510
Stock options	7,172	8,324	7,509	9,046
RSUs and ESPP shares	2,603	1,458	2,426	1,282
Weighted-average shares of Class A Common stock outstanding—diluted	182,392	175,219	180,938	177,009
Net income attributable to GoDaddy Inc. per share of Class A common stock—basic				
Continuing operations	$ 0.08	$ 0.05	$ 0.23	$ 0.31
Discontinued operations	—	0.15	—	0.12
Net income attributable to GoDaddy Inc.	$ 0.08	$ 0.20	$ 0.23	$ 0.43
Net income attributable to GoDaddy Inc. per share of Class A common stock—diluted (1):				
Continuing operations	$ 0.08	$ 0.04	$ 0.21	$ 0.15
Discontinued operations	—	0.13	—	0.10
Net income attributable to GoDaddy Inc.	$ 0.08	$ 0.17	$ 0.21	$ 0.25

(1) The diluted income per share calculations exclude the allocation of net income to the 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,	
	2018	2017	2018	2017
Options and RSUs	918	1,938	792	2,903

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. Total shares outstanding were as follows:

	September 30, 2018	December 31, 2017
Class A common stock	166,928	132,993
Class B common stock	6,319	35,006
	173,247	167,999

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,	
	2018	2017	2018	2017
U.S.	$ 443.5	$ 384.1	$ 1,268.4	$ 1,109.6
International	236.0	198.1	695.9	520.1
	$ 679.5	$ 582.2	$ 1,964.3	$ 1,629.7

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, 2018	December 31, 2017
U.S.	$ 206.9	$ 221.2
France	28.2	31.6
All other international	38.0	45.1
	$ 273.1	$ 297.9

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

16. Related Party Transactions

As of September 30, 2018 , affiliates of KKR held $10.5 million of the outstanding principal balance of our Term Loans as part of the lending syndicate. No material amounts have been paid to KKR during any of the periods presented.

In the ordinary course of business, we purchase and lease computer equipment, technology licensing and software maintenance and support from affiliates of Dell Inc. (Dell) of which Silver Lake and its affiliates have a significant ownership interest. During the three months ended September 30, 2018 and 2017 , we paid $4.0 million and $4.3 million , respectively, to Dell. During the nine months ended September 30, 2018 and 2017 , we paid $11.7 million and $11.9 million , respectively, to Dell.

17. 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, 2017	$ (86.8)	$ (45.5)	$ (132.3)
Other comprehensive income (loss) before reclassifications	0.8	(35.5)	(34.7)
Amounts reclassified from AOCI	—	58.7	58.7
Other comprehensive income (loss)	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)
Balance as of December 31, 2016	$ (0.3)	$ 3.0	$ 2.7
Other comprehensive income (loss) before reclassifications	1.8	87.8	89.6
Amounts reclassified from AOCI	(46.9)	(134.8)	(181.7)
Other comprehensive income (loss)	(45.1)	(47.0)	(92.1)
	$ (45.4)	$ (44.0)	$ (89.4)
Less: AOCI attributable to non-controlling interests			(37.8)
Balance as of September 30, 2017			$ (51.6)

(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.

See Note 10 for the effect on net income (loss) 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.

The sale of discontinued operations resulted in the reclassification from AOCI of $46.9 million in cumulative foreign currency translation adjustments, which was reported in the gain on disposal within income from discontinued operations for the three and nine months ended September 30, 2017 . The income tax impact associated with this reclassified amount was not material.

18. Subsequent Events

On November 5, 2018 , our board of directors approved the repurchase of up to $500.0 million of our Class A common stock. We may purchase shares from time to time in open market purchases, block transactions and privately negotiated transactions, in accordance with applicable federal securities laws. The 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. Share repurchases 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 consolidated 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 2017 Form 10-K.

(Throughout this discussion and analysis, dollars are in millions, excluding average revenue per user (ARPU) or unless otherwise noted.)

Third Quarter Financial Highlights

Below are our key financial highlights for the three months ended September 30, 2018 , with comparisons to the three months ended September 30, 2017 .

- Total revenue of $679.5 million , an increase of 16.7% .
- International revenue of $236.0 million , an increase of 19.1% .
- Total bookings [1] of $741.8 million , an increase of 11.0% .
- Net income of $14.1 million .
- Total customers increased 6.7% to 18.3 million .
- ARPU increased 8.6% to $145 .
- Net cash provided by operating activities was $154.0 million , an increase of 17.2% .

[1] *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,	
	2018	2017	2018	2017
Total bookings	$ 741.8	$ 668.0	$ 2,279.1	$ 1,960.3
Total customers at period end (in thousands)	18,267	17,123	18,267	17,123
Average revenue per user	$ 145	$ 134	$ 145	$ 134

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.

Total bookings increased 11.0% from $668.0 million for the three months ended September 30, 2017 to $741.8 million for the three months ended September 30, 2018 and increased 16.3% from $1,960.3 million for the nine months ended September 30, 2017 to $2,279.1 million for the nine months ended September 30, 2018 . These increases were primarily driven by increases in total customers and domains under management, continued increases in aftermarket domain sales, broadened customer adoption of non-domains products and an increased growth rate associated with our greater international presence. Our acquisitions of MSH in July 2018 and HEG in April 2017 also contributed to the increases during the three and nine month periods, respectively. These increases were partially offset by a reduction in average subscription term as our product merchandising shifted towards shorter initial and renewal terms in order to increase customer touch points as well as the increased impact of foreign currency associated with the strengthening of the U.S. dollar.

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 an indicator of the scale of our business and is a critical factor in our ability to increase our revenue base.

Total customers increased 6.7% from 17.1 million as of September 30, 2017 to 18.3 million as of September 30, 2018 . Our customer growth 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.

ARPU increased 8.6% from $134 for the period ended September 30, 2017 to $145 for the period ended September 30, 2018 , primarily due to broadened customer adoption of our products resulting in increased customer spend and revenue from acquired businesses. ARPU in 2017 is muted by the impact of our acquisition of HEG as our trailing 12 month revenue for that period includes only six months of HEG's results, while all of HEG's customers are included in the average customers calculation as of September 30, 2017 .

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,	
	2018	2017	2018	2017
Total Bookings:				
Total revenue	$ 679.5	$ 582.2	$ 1,964.3	$ 1,629.7
Change in deferred revenue [(1)]	16.6	44.5	171.1	204.3
Net refunds	45.9	43.4	145.8	125.1
Other	(0.2)	(2.1)	(2.1)	1.2
Total bookings	$ 741.8	$ 668.0	$ 2,279.1	$ 1,960.3

(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 consolidated 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,			
	2018		2017		2018		2017	
	$	% of Total Revenue	$	% of Total Revenue	$	% of Total Revenue	$	% of Total Revenue
Revenue:								
Domains	$ 309.5	45.6 %	$ 271.5	46.6 %	$ 906.0	46.1 %	$ 775.6	47.6 %
Hosting and presence	263.2	38.7 %	225.9	38.8 %	747.6	38.1 %	619.1	38.0 %
Business applications	106.8	15.7 %	84.8	14.6 %	310.7	15.8 %	235.0	14.4 %
Total revenue	679.5	100.0 %	582.2	100.0 %	1,964.3	100.0 %	1,629.7	100.0 %
Costs and operating expenses:								
Cost of revenue (excluding depreciation and amortization)	226.9	33.4 %	200.3	34.4 %	663.5	33.8 %	573.5	35.2 %
Technology and development	112.2	16.5 %	91.0	15.6 %	319.3	16.2 %	261.3	16.0 %
Marketing and advertising	70.1	10.4 %	58.8	10.1 %	212.0	10.8 %	188.7	11.6 %
Customer care	81.8	12.0 %	74.6	12.8 %	238.5	12.1 %	217.0	13.3 %
General and administrative	89.7	13.2 %	65.4	11.2 %	247.1	12.6 %	198.2	12.2 %
Depreciation and amortization	61.3	9.0 %	60.0	10.3 %	176.1	9.0 %	147.1	9.0 %
Total costs and operating expenses	642.0	94.5 %	550.1	94.4 %	1,856.5	94.5 %	1,585.8	97.3 %
Operating income	37.5	5.5 %	32.1	5.6 %	107.8	5.5 %	43.9	2.7 %
Interest expense	(25.0)	(3.7)%	(24.4)	(4.2)%	(73.5)	(3.7)%	(59.2)	(3.6)%
Tax receivable agreements liability adjustment	—	— %	—	— %	(0.1)	— %	37.0	2.2 %
Loss on debt extinguishment	—	— %	(5.3)	(0.9)%	—	— %	(7.0)	(0.4)%
Other income (expense), net	0.7	0.1 %	1.7	0.3 %	1.9	0.1 %	6.1	0.4 %
Income from continuing operations before income taxes	13.2	1.9 %	4.1	0.8 %	36.1	1.9 %	20.8	1.3 %
Benefit for income taxes	0.9	0.1 %	3.0	0.5 %	2.4	0.1 %	6.6	0.4 %
Income from continuing operations	14.1	2.0 %	7.1	1.3 %	38.5	2.0 %	27.4	1.7 %
Income from discontinued operations, net of income taxes	—	— %	22.9	3.9 %	—	— %	17.6	1.1 %
Net income	14.1	2.0 %	30.0	5.2 %	38.5	2.0 %	45.0	2.8 %
Less: net income attributable to non-controlling interests	0.9	0.1 %	7.6	1.3 %	3.9	0.2 %	1.2	0.1 %
Net income attributable to GoDaddy Inc.	$ 13.2	1.9 %	$ 22.4	3.9 %	$ 34.6	1.8 %	$ 43.8	2.7 %

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 or service. 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 and services, website security products, an online shopping cart and online visibility products.

Business applications revenue primarily consists of revenue from the sale of subscriptions for third-party productivity applications, email accounts and email marketing tools.

The following table presents our revenue during the three and nine months ended September 30, 2018 and 2017 :

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
Domains	$ 309.5	$ 271.5	$ 38.0	14.0%	$ 906.0	$ 775.6	$ 130.4	16.8%
Hosting and presence	263.2	225.9	37.3	16.5%	747.6	619.1	128.5	20.8%
Business applications	106.8	84.8	22.0	25.9%	310.7	235.0	75.7	32.2%
Total revenue	$ 679.5	$ 582.2	$ 97.3	16.7%	$ 1,964.3	$ 1,629.7	$ 334.6	20.5%

Total revenue increased $97.3 million , or 16.7% , from $582.2 million for the three months ended September 30, 2017 to $679.5 million for the three months ended September 30, 2018 . This increase was primarily driven by growth in total customers and ARPU as well as revenue from our July 2018 acquisition of MSH.

Total revenue increased $334.6 million , or 20.5% , from $1,629.7 million for the nine months ended September 30, 2017 to $1,964.3 million for the nine months ended September 30, 2018 . The increase was primarily driven by growth in total customers and APRU as well as revenue from our April 2017 acquisition of HEG.

Total customers increased 6.7% to 18.3 million as of September 30, 2018 . The increase in customers impacted each of our revenue lines, as the additional customers purchased subscriptions across our product portfolio.

Domains

Domains revenue increased $38.0 million , or 14.0% , from $271.5 million for the three months ended September 30, 2017 to $309.5 million for the three months ended September 30, 2018 . This increase was primarily driven by the increase in domains under management, international growth and increased aftermarket domain sales.

Domains revenue increased $130.4 million , or 16.8% , from $775.6 million for the nine months ended September 30, 2017 to $906.0 million for the nine months ended September 30, 2018 . This increase was primarily driven by the increase in domains under management, international growth and increased aftermarket domain sales as well as our acquisition of HEG.

Domains under management increased 6.3% from 72.9 million as of September 30, 2017 to 77.5 million as of September 30, 2018 .

Hosting and presence

Hosting and presence revenue increased $37.3 million , or 16.5% , from $225.9 million for the three months ended September 30, 2017 to $263.2 million for the three months ended September 30, 2018 . This increase was primarily driven by increased revenue from our website hosting, website building and website security products and services as well as our acquisition of MSH.

Hosting and presence revenue increased $128.5 million , or 20.8% , from $619.1 million for the nine months ended September 30, 2017 to $747.6 million for the nine months ended September 30, 2018 . This increase was primarily driven by increased revenue from our website hosting, website building and website security products and services as well as our acquisition of HEG.

Business applications

Business applications revenue increased $22.0 million , or 25.9% , from $84.8 million for the three months ended September 30, 2017 to $106.8 million for the three months ended September 30, 2018 . This increase was primarily driven by increased customer adoption of our email and productivity solutions.

Business applications revenue increased $75.7 million , or 32.2% , from $235.0 million for the nine months ended September 30, 2017 to $310.7 million for the nine months ended September 30, 2018 . This increase was primarily driven by increased customer adoption of our email and productivity solutions as well as seasonal revenue from HEG-sponsored events in the first quarter of 2018.

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 and the sales and marketing channels used.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
Cost of revenue (excluding depreciation and amortization)	$ 226.9	$ 200.3	$ 26.6	13.3%	$ 663.5	$ 573.5	$ 90.0	15.7%

Cost of revenue increased $26.6 million , or 13.3% , from $200.3 million for the three months ended September 30, 2017 to $226.9 million for the three months ended September 30, 2018 . This increase was primarily due to higher domain costs driven by the increase in domains under management and increased aftermarket domain sales. In addition, software licensing fees increased due to higher sales of email and productivity solutions.

Cost of revenue increased $90.0 million , or 15.7% , from $573.5 million for the nine months ended September 30, 2017 to $663.5 million for the nine months ended September 30, 2018 . This increase was primarily attributable to higher domain costs driven by the increase in domains under management and increased aftermarket domain sales as well as our acquisition of HEG. In addition, software licensing fees increased due to higher sales of email and productivity solutions.

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 begin to 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	
	2018	2017	$	%	2018	2017	$	%
Technology and development	$ 112.2	$ 91.0	$ 21.2	23.3%	$ 319.3	$ 261.3	$ 58.0	22.2%

Technology and development expenses increased $21.2 million , or 23.3% , from $91.0 million for the three months ended September 30, 2017 to $112.2 million for the three months ended September 30, 2018 . This increase was primarily attributable to increased compensation-related costs driven by higher average headcount associated with the continued growth of our business as well as our acquisition of MSH.

Technology and development expenses increased $58.0 million , or 22.2% , from $261.3 million for the nine months ended September 30, 2017 to $319.3 million for the nine months ended September 30, 2018 . This increase was primarily attributable to increased compensation-related costs driven by higher average headcount associated with the continued growth of our business as well as our acquisition of HEG.

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, particularly related to new product introductions and the growth of our international business.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	2017	$	%	2018	2017	$	%
Marketing and advertising	$ 70.1	$ 58.8	$ 11.3	19.2%	$ 212.0	$ 188.7	$ 23.3	12.3%

Marketing and advertising expenses increased $11.3 million , or 19.2% , from $58.8 million for the three months ended September 30, 2017 to $70.1 million for the three months ended September 30, 2018 . This increase was primarily attributable to increased discretionary advertising spend driven by our international growth.

Marketing and advertising expenses increased $23.3 million , or 12.3% , from $188.7 million for the nine months ended September 30, 2017 to $212.0 million for the nine months ended September 30, 2018 . This increase was primarily attributable to increased discretionary advertising spend driven by our international growth.

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	
	2018	2017	$	%	2018	2017	$	%
Customer care	$ 81.8	$ 74.6	$ 7.2	9.7%	$ 238.5	$ 217.0	$ 21.5	9.9%

Customer care expenses increased $7.2 million , or 9.7% , from $74.6 million for the three months ended September 30, 2017 to $81.8 million for the three months ended September 30, 2018 . This increase was primarily driven by increased costs associated with the continued expansion of our international third-party Customer Care locations, the continued growth of our business and our acquisition of MSH.

Customer care expenses increased $21.5 million , or 9.9% , from $217.0 million for the nine months ended September 30, 2017 to $238.5 million for the nine months ended September 30, 2018 . This increase was primarily driven by increased costs associated with the continued expansion of our international third-party Customer Care locations, the continued growth of our business and our acquisitions of MSH and HEG.

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	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
General and administrative	$ 89.7	$ 65.4	$ 24.3	37.2%	$ 247.1	$ 198.2	$ 48.9	24.7%

General and administrative expenses increased $24.3 million , or 37.2% , from $65.4 million for the three months ended September 30, 2017 to $89.7 million for the three months ended September 30, 2018 . This increase was primarily due to increased compensation-related costs driven by increased average headcount associated with the continued growth of our business, increased acquisition-related expenses and incremental expenses from our integration of MSH.

General and administrative expenses increased $48.9 million , or 24.7% , from $198.2 million for the nine months ended September 30, 2017 to $247.1 million for the nine months ended September 30, 2018 . This increase was primarily due to increased compensation-related costs associated with the continued growth of our business, increased acquisition-related expenses and incremental expenses from our integration of HEG and MSH.

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	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Depreciation and amortization	$ 61.3	$ 60.0	$ 1.3	2.2%	$ 176.1	$ 147.1	$ 29.0	19.7%

There were no material changes in depreciation and amortization expenses for the three months ended September 30, 2018 .

Depreciation and amortization expenses increased $29.0 million , or 19.7% , from $147.1 million for the nine months ended September 30, 2017 to $176.1 million for the nine months ended September 30, 2018 . This increase was primarily due to the finite-lived intangible assets and property and equipment acquired as part of our acquisition of HEG.

Interest expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Interest expense	$ 25.0	$ 24.4	$ 0.6	2.5%	$ 73.5	$ 59.2	$ 14.3	24.2%

There were no material changes to interest expense for the three months ended September 30, 2018 .

Interest expense increased $14.3 million , or 24.2% , from $59.2 million for the nine months ended September 30, 2017 to $73.5 million for the nine months ended September 30, 2018 . This increase was primarily driven by additional interest from the term loan issued in April 2017 to finance our acquisition of HEG as well as a higher average effective interest rate on our long-term debt in 2018.

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 make interest payments and mandatory principal payments on our long-term debt. We have also used our cash to repurchase LLC Units and make required tax distributions.

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 our debt agreements 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.

Acquisition of Main Street Hub

In July 2018 , we completed the previously-announced acquisition of MSH for total purchase consideration of $182.0 million , as described in Note 3 to our financial statements. This acquisition includes contingent earn-out payments of up to a maximum of $50.0 million .

Credit Facility

Our Credit Facility consists of the Term Loans maturing on February 15, 2024 and the Revolving Credit Loan maturing on February 15, 2022 . See further discussion of the Credit Facility in Note 9 to our financial statements.

The Credit Facility is subject to customary fees for loan facilities of this type, including a commitment fee on the Revolving Credit Loan. The Term Loans are required to be repaid in quarterly installments of 0.25% of the original principal, with the balance due at maturity. The Term Loans must be repaid with proceeds from certain asset sales and debt issuances and with a portion of our excess cash flow, up to 50.0% , depending on our net leverage ratio. The Credit Facility is guaranteed by all of our material domestic subsidiaries and is secured by substantially all of our and such subsidiaries' real and personal property.

The Credit Facility requires us to maintain certain financial ratios and contains 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, 2018 , we were in compliance with all such covenants and had no amounts drawn on the Revolving Credit Loan.

As further discussed in Note 10 to our financial statements, we have hedged a portion of our long-term debt through the use of cross-currency and interest rate swap derivative instruments. These instruments help us manage and mitigate our risk of exposure to changes in foreign currency exchange rates and interest rates. See "Quantitative and Qualitative Disclosures About Market Risk" for additional discussion of our hedging activities.

Tax Receivable Agreements

As of September 30, 2018 , the liability under the TRAs was $189.3 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 when LLC Units are exchanged in the future and as our estimates of the future utilization of the tax attributes, NOLs and other tax benefits change. We expect to make payments under the TRAs, to the extent they are required, within 150 days after our U.S. federal income tax return is filed for each fiscal year. Interest on such payments will begin to accrue from the due date (without extensions) of such tax return at a rate equal to the one-year LIBOR plus 100 basis points. 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.

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. 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.

Cash Flows

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

	Nine Months Ended September 30,	
	2018	**2017**
Net cash provided by operating activities	$ 431.3	$ 371.3
Net cash used in investing activities	(195.3)	(1,497.9)
Net cash provided by financing activities	34.0	1,094.0
Effect of exchange rate changes on cash and cash equivalents	(1.5)	3.4
Net increase (decrease) in cash and cash equivalents	$ 268.5	$ (29.2)

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, 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 $60.0 million from $371.3 million during the nine months ended September 30, 2017 to $431.3 million during the nine months ended September 30, 2018 , primarily resulting from our bookings growth, our increased operating income and the acquisition of HEG.

Investing Activities

Our investing activities primarily consist of strategic acquisitions and purchases of property and equipment related to growth in our data centers and 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 $1,302.6 million from $1,497.9 million during the nine months ended September 30, 2017 to $195.3 million during the nine months ended September 30, 2018 , primarily due to a $1,728.5 million decrease in business acquisitions, partially offset by the $447.7 million in net proceeds received from the sale of discontinued operations in 2017.

Financing Activities

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

Net cash provided by financing activities decreased $1,060.0 million from $1,094.0 million during the nine months ended September 30, 2017 to $34.0 million during the nine months ended September 30, 2018 . The decrease primarily resulted from $1,953.1 million in proceeds received from debt issued to finance our April 2017 acquisition of HEG, partially offset by the August 2017 repayment of $596.6 million in bridge financing used to finance a portion of the acquisition and $275.0 million of LLC Unit repurchases completed in 2017.

Off-Balance Sheet Arrangements

As of September 30, 2018 and December 31, 2017 , we had no off-balance sheet arrangements that had, or which are reasonably likely to have, a material effect on our consolidated financial statements.

Critical Accounting Policies and Estimates

We prepare our consolidated 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 2017 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 2017 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. 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, 2018 .

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 10 to our financial statements for a summary of the notional amounts and fair values of our foreign currency exchange and cross-currency swap contracts.

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 Indian rupee, the Canadian dollar and the Australian dollar. Our reported bookings, revenues and operating results may be impacted by fluctuations in foreign currency exchange rates. Fluctuations in foreign currency 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. With our 2017 acquisition of HEG, and as our international operations continue to grow, our exposure to fluctuations in currency rates will increase, which may increase the costs associated with this growth. During the three months ended September 30, 2018 , our total bookings growth in constant currency would have been approximately 110 basis points higher and total revenue growth would have been approximately 10 basis points lower. Constant currency is calculated by translating bookings and revenue for each month in the current period using the foreign currency exchange rate for the corresponding month in the prior period, excluding any hedging gains or losses realized during the period.

We 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 designate these forward contracts as cash flow hedges for accounting purposes. Changes in the intrinsic value of these 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, 2018 , the total notional amount of such contracts was $59.9 million , all having remaining maturities of three months or less, and the realized and unrealized loss included in AOCI totaled $1.8 million .

Cross-Currency Swap Contract

In order to manage variability due to movements in foreign currency 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 €1,224.6 million at September 30, 2018 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 foreign currency 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 Credit Facility were $2,463.6 million as of September 30, 2018 . These borrowings bear interest at a rate equal to, at our option, either (a) LIBOR plus 2.25% per annum or (b) 1.25% 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% .

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 $1,305.6 million at September 30, 2018 , 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 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, 2018 , 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, 2018 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

We are currently subject to litigation incidental to our business, including patent infringement litigation and trademark infringement claims, as well as putative class actions, employment, commercial and consumer protection claims and other litigation of a non-material nature. 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.

Regardless of the final outcome, defending lawsuits, claims and proceedings in which we are involved is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

Item 1A. Risk Factors

For a discussion of potential risks and uncertainties, see the information under the heading "Risk Factors" in our 2017 Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date
10.1+	Offer Letter, dated July 24, 2018, between GoDaddy Inc. and Caroline Donahue	8-K	001-36904	10.1	8/2/2018
10.2+	Offer Letter, dated July 24, 2018, between GoDaddy Inc. and Ryan Roslansky	8-K	001-36904	10.2	8/2/2018
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.				

+ Indicates management contract or compensatory plan or arrangement.

* Filed herewith.

** The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of GoDaddy Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GODADDY INC.

Date:	November 7, 2018	/s/ Ray E. Winborne
		Ray E. Winborne
		Chief Financial Officer

Exhibit 31.1

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

I, Scott W. Wagner, 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 7, 2018

By: /s/ Scott W. Wagner

Scott W. Wagner
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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 7, 2018

By: /s/ Ray E. Winborne

Ray E. Winborne
Chief Financial Officer
(Principal Financial Officer)

Exhibit 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**

I, Scott W. Wagner, 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, 2018 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 7, 2018

By: /s/ Scott W. Wagner

Scott W. Wagner
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, 2018 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 7, 2018

By: /s/ Ray E. Winborne

Ray E. Winborne
Chief Financial Officer
(Principal Financial Officer)