

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

FORM 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2015
or

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

For the transition period from _____ to _____
Commission File Number: 001-36904

GoDaddy Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-5769934

(I.R.S. Employer Identification Number)

14455 N. Hayden Road

Scottsdale, Arizona 85260

(Address of principal executive offices, including zip code)

(480) 505-8800

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Class A Common Stock, par value \$0.001 per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 June 30, 2015, the aggregate market value of the registrant's Class A common stock held by non-affiliates, based upon the closing sales price for the registrant's Class A common stock as reported by the New York Stock Exchange, was \$666,052,488. Shares of the registrant's Class A common stock beneficially owned by each executive officer, director and holder of 5% or more of the outstanding Class A common stock have been excluded as such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of February 26, 2016, there were 67,906,317 shares of GoDaddy Inc. 's Class A common stock, \$0.001 par value per share, outstanding and 89,833,354 shares of GoDaddy Inc. 's Class B common stock, \$0.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2015 .

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EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A (the "Amended Filing") to our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission ("SEC") on March 3, 2016 (the "Original Filing"), to correct certain errors.

Specifically, page 58 of the Original Filing included the following paragraph:

"We also offer hosting, presence and business application products enhancing our value proposition to our customers by enabling them to create, manage and syndicate their, or their customers', digital identities. While these products are often purchased in conjunction with, or subsequent to, an initial domain registration, they are also frequently the starting points in our customer relationships. As we have grown, our hosting, presence and business applications products have become increasingly important parts of our business, constituting over 48% of total bookings in 2015."

This paragraph has been amended to replace the word "bookings" with "revenue" and will read as follows:

"We also offer hosting, presence and business application products enhancing our value proposition to our customers by enabling them to create, manage and syndicate their, or their customers', digital identities. While these products are often purchased in conjunction with, or subsequent to, an initial domain registration, they are also frequently the starting points in our customer relationships. As we have grown, our hosting, presence and business applications products have become increasingly important parts of our business, constituting over 48% of total revenue in 2015."

Specifically, page 59 of the Original Filing included the following paragraphs:

" *Domains* . We generated 52% of our 2015 total bookings from the sale of domain products, primarily from domain name registrations and renewals, domain add-ons such as privacy and aftermarket sales. Total bookings from domains grew an average of 12% annually for the three years ended December 31, 2015."

" *Hosting and Presence* . We generated 37% of our 2015 total bookings from the sale of hosting and presence products, primarily from a variety of web-hosting offerings, website builder products, SSL certificates and e-commerce products. These products generally have higher margins than domains. Total bookings from hosting and presence products grew an average of 25% annually for the three years ended December 31, 2015."

" *Business Applications* . We generated 11% of our 2015 total bookings from the sale of business applications products, primarily from productivity tools such as domain-specific email accounts, which also have higher margins than domains. Total bookings from business applications grew an average of 49% annually for the three years ended December 31, 2015."

These paragraphs have been amended to replace the word "bookings" with "revenue" and will read as follows:

" *Domains* . We generated 52% of our 2015 total revenue from the sale of domain products, primarily from domain name registrations and renewals, domain add-ons such as privacy and aftermarket sales. Total revenue from domains grew an average of 12% annually for the three years ended December 31, 2015."

" *Hosting and Presence* . We generated 37% of our 2015 total revenue from the sale of hosting and presence products, primarily from a variety of web-hosting offerings, website builder products, SSL certificates and e-commerce products. These products generally have higher margins than domains. Total revenue from hosting and presence products grew an average of 25% annually for the three years ended December 31, 2015."

" *Business Applications* . We generated 11% of our 2015 total revenue from the sale of business applications products, primarily from productivity tools such as domain-specific email accounts, which also have higher margins than domains. Total revenue from business applications grew an average of 49% annually for the three years ended December 31, 2015."

Additionally, the Original Filing incorrectly referred to our 2014 net loss on page 6 as \$146.1 million and 2011 revenue on page 9 as \$862.9 million, each within "Business." The correct 2014 net loss and 2011 revenue are \$143.3 million and \$894.3 million, respectively. Furthermore, the correction to the 2011 revenue on page 9 will change our revenue CAGR on page 9 from 17% to 16%.

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The corrections above have no impact on our consolidated balance sheets, consolidated statements of operations, consolidated statements of stockholders'/members' equity or consolidated statements of cash flows as previously reported in the Original Filing. Furthermore, the corrections do not materially impact any other previously reported periods.

Items Amended in This Filing

For the convenience of the reader, this Amended Filing sets forth the Original Filing, as modified and superseded where necessary to reflect the changes set forth above. The following items have been amended as a result of, and to reflect, the changes set forth above:

- Part I, Item 1. Business
- Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In accordance with applicable SEC rules, this Amended Filing includes new certifications required by Rule 13a-14 under the Securities and Exchange Act of 1934 ("Exchange Act") from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amended Filing.

Except for the items noted above, no other information included in the Original Filing is being amended or updated by this Amended Filing. This Amended Filing continues to describe the conditions as of the date of the Original Filing and, except as contained herein, we have not updated or modified the disclosures contained in the Original Filing. Accordingly, this Amended Filing should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original Filing, including any amendment to those filings.

Part I.

Item 1. Business

Our customers have bold aspirations—the drive to be their own boss, write their own story and take a leap of faith to pursue their dreams. Launching that brewery, running that wedding planning service, organizing that fundraiser, expanding that web-design business or whatever sparks their passion. We are inspired by our customers, and are dedicated to helping them turn their powerful ideas into meaningful action. Our vision is to radically shift the global economy toward small business by empowering passionate individuals to easily start, confidently grow and successfully run their own ventures.

Overview

Our 13.8 million customers are people and organizations with vibrant ideas—businesses, both large and small, entrepreneurs, universities, charities and hobbyists. They are defined by their guts, grit and determination to transform their ideas into something meaningful. They wear many hats and juggle many responsibilities, and they need to make the most of their time. Our customers need help navigating today’s dynamic Internet environment and want the benefits of the latest technology to help them succeed. Since our founding in 1997, we have been a trusted partner and champion for organizations of all sizes in their quest to build successful online ventures.

We are a leading technology provider to small businesses, web design professionals and individuals, delivering simple, easy to use cloud-based products and outcome-driven, personalized Customer Care. We operate the world’s largest domain marketplace, where our customers can find that unique piece of digital real estate perfectly matching their idea. We provide website building, hosting and security tools to help customers easily construct and protect their online presence. As our customers grow, we provide applications and access to relevant third party products helping them connect to their customers, manage and grow their businesses and get found online.

Our customers need help navigating today’s dynamic Internet environment and want the benefits of the latest technology to help them succeed. The increase in broadband penetration, mobile device usage and the need for presence across search engines, content destinations, listings and e-commerce sites, and social media channels create both opportunities and challenges for them. We offer products and solutions to help our customers tackle this rapidly changing technology landscape. We develop the majority of our products internally and believe our solutions are among the best in the industry in terms of comprehensiveness, performance, functionality and ease of use.

Often technology companies force their customers to choose between technology and support, delivering one but not the other. At GoDaddy, we don't believe our customers should have to choose and strive to deliver both great technology and great support to our customers. We believe engaging with our customers in a proactive, consultative way helps them knock down the technology hurdles they face. And, through the thousands of conversations we have with our customers every day, we receive valuable feedback enabling us to continually evolve our products and solutions.

Our people and unique culture have been integral to our success. We live by the same principles that enable new ventures to survive and thrive: hard work, perseverance, conviction, an obsession with customer satisfaction and a belief that no one can do it better. We take responsibility for driving successful outcomes and are accountable to our customers, which we believe has been a key factor in enabling our rapid customer and revenue growth. We believe we have one of the most recognized brands in technology.

Our Size and Scale

Our combination of easy to use, cloud-based products, personalized Customer Care, a powerful brand and a unique culture have helped us build an attractive business with strong financial performance.

- We are the global market leader in domain name registration—a key on-ramp to establishing a business online in our connected economy—with approximately 62 million domains under management as of December 31, 2015 . According to VeriSign’s Domain Name Industry Brief, we had 20% of the world’s domains registered as of September 30, 2015 .
- As of December 31, 2015 , we had 13.8 million customers and added 1.1 million customers in 2015 .

- As of December 31, 2015 , we had more than 700,000 customers who each spent more than \$500 a year.
- In each of the five years ended December 31, 2015 , our customer retention rate exceeded 85% and our retention rate for customers who had been with us for over three years was approximately 90% .
- In 2015 , we generated \$1.9 billion in total bookings, up 14.3% (or approximately 17.5% on a constant currency basis) from \$1.7 billion in 2014 . In 2015 , we had \$1.6 billion of revenue, up 15.9% (or approximately 17.3% on a constant currency basis) from \$1.4 billion in 2014 .
- As of December 31, 2015 , we provided localized solutions in 37 countries, 44 currencies and 17 languages. For the year ended December 31, 2015 , 26% of our total bookings were attributable to customers outside of the United States.
- Our highly-rated Customer Care team of more than 3,800 specialists is focused on providing high-quality, personalized care. As a result of their ongoing dialogue with customers, our Customer Care team also drives bookings and in 2015 generated approximately 24% of our total bookings.
- Our net loss was \$120.4 million and \$143.3 million in 2015 and 2014 , respectively. We generated \$337.4 million of adjusted EBITDA in 2015 , up from \$271.5 million in 2014 .

Our Market

Our customers represent a large and diverse market which we believe is largely underserved. According to the U.S. Small Business Administration, there were approximately 28 million small businesses in 2012 . Based on data from the 2012 U.S. Census Bureau and the U.S. Small Business Administration, over 85% of small businesses have fewer than five employees and approximately 23 million , or over 75% of, small businesses were non-employer firms. Furthermore, according to the International Labor Organization Statistics Database there were more than 200 million people outside the United States identified as self-employed in 2012 . Moreover, the Kauffman Index of Entrepreneurial Activity report estimates that in 2015 there were approximately 530,000 new business owners created each month in the United States. We believe our addressable market extends beyond small businesses and includes individuals and organizations, such as universities, charities and hobbyists.

Despite the ubiquity and importance of the Internet to individual consumers, many small businesses and organizations have remained offline given their limited resources and inadequate tools. We believe approximately 60% of small businesses do not have a website. However, as proliferation of mobile devices blurs the online/offline distinction into an "always online" world, having an impactful online presence is becoming a "must have" for small businesses worldwide.

What it means for small businesses and ventures to be online continues to evolve. Only a few years ago, an online presence typically consisted of a simple and static website with basic information, perhaps supported by limited search engine marketing. Today, having an effective online presence requires much more, including a content rich website viewable from any device; presence on social media sites and an increasing number of horizontal and vertical marketplaces (e.g. Yelp and OpenTable); branded email communication; online marketing; and Internet-enabled reservation and scheduling capabilities. In addition, back-end activities such as invoicing, payment processing, accounting and tax preparation, which are typically separate point solutions, can now increasingly be linked to the front-end.

The shift toward dynamic online presence for small business has been fueled by the emergence of simple—yet powerful—cloud-based technologies that can easily be utilized by individuals with limited technical skills. Cloud technologies have helped enable the integration of front and back-end activities. Cloud-based products, which can be "rented" on a monthly or yearly basis, allow a business to more easily scale from a nascent idea to a thriving venture. The Parallels SMB Cloud Insights for Global 2014 report estimates the cloud market for small business was \$62 billion in 2013 , and will double by 2016 , growing to \$125 billion .

Our Customers

Our customers share common traits, such as tenacity and determination, yet their specific needs vary depending on the type and stage of their ventures. They range from individuals who are thinking about starting a business to established ventures that are up and running but need help attracting customers, growing their sales, managing their business or expanding their operations. While our customers have differing degrees of resources and technical capabilities, they all share a desire to bring their ideas to life. We call them GoGetters and they are united by a number of common characteristics: entrepreneurial spirit, strong work ethic and, above all, passion for their ventures.

Our target customers are primarily local service-based businesses. Most of our customers have fewer than five employees and most identify themselves as having little to no technology skills. They need our help to give their businesses a unique and secure digital identity and tools to help them stay connected with their customers.

To serve our customers well at every phase of their business, we group them into multiple stages of growth, starting with "nascent" and evolving to "established and content." We have also identified special groups like the "digital commerce" group which is made up of web-savvy individuals who utilize digital commerce platforms as their primary business vehicles. We also serve a group of customers consisting of web-designers and web-developers—who we call "Web Pros"—who are in the business of building, designing and managing the online presence of others. Each of these groups is unique in their needs, and we personalize our solutions to meet them at each stage in their lifecycle.

Our Opportunity—What the GoGetter Needs

Our customers are consumers themselves and use the Internet to get informed, research and shop for solutions, which makes them keenly aware of the need to have an impactful online presence. While our customers' needs change depending on where they are in their lifecycle, the most common customer needs we serve include:

- **Getting online and looking great** . Our customers want to find a name perfectly identifying their business, hobby or passion. Once they have a name, they want to create a digital identity so their customers can find, engage and transact with them online. We believe a complete digital identity includes an elegant, mobile-enabled website and the ability to get found across various search engines, social media platforms and vertical marketplaces.
- **Growing their business and running their operations** . Our customers need to communicate with their existing customers and find new customers. They also need tools to help them run their businesses, from productivity and marketing tools to getting paid and balancing their books. In today's online world, these activities are increasingly linked to a customer's online presence.
- **Easy to use products with help from a real person when needed** . Our customers want easy-to-use products and sometimes they need help from real people to set up their website, launch a new feature or try something new. We build products that are intuitive for beginners to use, yet robust and feature-rich to address the needs of expert designers and power-users. We also provide high quality, consultative Customer Care and advise our customers as needed.
- **Technology that grows with them** . Our customers need a simple platform and set of tools enabling their domain, website and other solutions to easily work together as their business grows and becomes more complex, and they need that platform to be simple to manage. The right platform can meet the needs of both an entrepreneur who is not technologically savvy and a Web Pro with a more complex set of requirements.
- **Reliability, security and performance** . Our customers expect reliable products and want to be confident their digital presence is secure. Our customers work on their businesses whenever and however they can and need solutions fitting their lifestyle and schedule.
- **Affordable solutions** . Our customers often have limited financial resources and are unable to make large, upfront investments in the latest technology. Our customers need affordable solutions leveling the playing field and giving them the tools to look and act like bigger businesses.

Our Solution—What We Do and How We Do It

We built GoDaddy to serve the GoGetter by providing elegant, easy to use, cloud-based products wrapped with personalized Customer Care. Our customers turn to us in order to:

- **Get a great domain name** . Every great idea needs a great name. Staking a claim with a domain name has become the de facto first step in establishing an idea and presence online. When inspiration strikes, we are there to provide our customers with high-quality search, discovery and recommendation tools as well as the broadest selection of domains to help them find the right name for their venture.
- **Turn their domain into a dynamic online presence** . Our products enable anyone to build an elegant website or online store, for both desktop and mobile, regardless of technical skill. Our products, powered by a unified cloud

platform, enable our customers to get found online by extending their website and its content to where they need to be, from search engine results (e.g. Google) to social media (e.g. Facebook) to vertical marketplaces (e.g. Yelp and FourSquare), all from one location. For more technically-sophisticated web designers, developers and customers, we provide high-performance, flexible hosting and security products that can be used with a variety of open source design tools. We design these solutions to be easy to use, effective, reliable, flexible and a great value.

- **Add back-office and marketing products** . Our customers want to spend their time on what matters most to them, selling their products or services or helping their customers do the same. We provide them with productivity tools such as domain-specific email, online storage, invoicing and payment solutions to help run their ventures as well as robust marketing products, such as email marketing, to attract and retain customers.
- **Use our products together in a solution that grows with our customers over time** . Our API-driven technology platform is built on state-of-the-art, open source technologies like Hadoop, OpenStack and other large-scale, distributed systems. Simply put, we believe our products work well together and are more valuable and easier to use together than if our customers purchased these products individually from other companies and tried to integrate them. Additionally, our platform allows our developers to innovate new and enhanced products or product features assembled from common building blocks leading to faster deployment cycles.
- **Receive assistance from our highly-rated Customer Care team** . Our Customer Care team consists of more than 3,800 specialists who are available 24/7/365 and are capable of providing care to customers with different levels of technical sophistication. Our specialists are evaluated on customer outcomes and the quality of the experience they provide, not other common measures like handle time and cost per call. We strive to provide high-quality, personalized care and deliver a distinctive experience helping us create loyal customers who renew their subscriptions, purchase additional products and refer their family and friends to us.
- **Utilize a reliable, secure, global technology platform and infrastructure** . In 2015 , we handled on average more than 15.2 billion DNS queries per day and hosted approximately 10 million websites on servers located throughout our worldwide data centers. We focus on online security, customer privacy and reliable infrastructure to address the evolving needs of our customers.
- **Receive high value** . We price most of our products at a few dollars per month while providing our customers with robust features and functionality. We believe our high-quality products and personalized Customer Care provide our customers with an affordable bridge between their available resources and their aspirations.

Our Advantages—Why We Win

We believe the following strengths provide us with competitive advantages in realizing the potential of our opportunity:

- **We are the leading domain name marketplace, a key on-ramp in establishing a digital identity** . We are the global market leader in domain name registration. According to VeriSign’s Domain Name Industry Brief, we held over 20% of the more than 299 million worldwide domain names under management as of September 30, 2015. As of December 31, 2015 , we had approximately 62 million domains under management.
- **We combine an integrated cloud-technology platform with rich data science** . At our core, we are a product and technology company. As of December 31, 2015 , we had 811 engineers, 164 issued patents and 211 pending patent applications in the United States. Our investment in technology and development and our data science capabilities enable us to innovate and deliver a personalized experience to our customers.
- **We operate an industry-leading Customer Care team that also drives bookings** . We give our customers much more than typical customer support. Our team is unique, blending personalized Customer Care with the ability to evaluate our customers’ needs, which allows us to help and advise them as well as drive incremental bookings for our business. Our Customer Care team contributed approximately 24% of our total bookings in 2015 . Our customers respond to our personalized approach with high marks for customer satisfaction. Our proactive Customer Care model is a key component helping create a long-term customer relationship, which is reflected in our high retention rates.
- **Our brand and marketing efficiency** . We believe GoDaddy is one of the most recognized technology brands in the United States. Through a combination of cost-effective direct-marketing, brand advertising and customer referrals,

we have increased our total customers from 9.4 million as of December 31, 2011 to 13.8 million as of December 31, 2015 .

- **Our financial model** . Our stable and predictable business model is driven by efficient customer acquisition, high customer retention rates and increasing lifetime spend. In each of the five years ended December 31, 2015 , our customer retention rate exceeded 85% and our retention rate for customers who had been with us for over three years was approximately 90% . We believe the breadth and depth of our product offerings and the high quality and responsiveness of our Customer Care team builds strong relationships with our customers and are keys to our high level of customer retention.
- **Our people and our culture** . We are a company whose people embody the grit and determination of our customers. Our world-class engineers, scientists, designers, marketers and Customer Care specialists share a passion for technology and its ability to change our customers' lives. We value hard work, extraordinary effort, living passionately, taking intelligent risks and working together toward successful customer outcomes. Our relentless pursuit of doing right for our customers has been a crucial ingredient to our growth.
- **Our scale** . We have achieved significant scale in our business which enables us to efficiently acquire new customers, serve our existing customers and continue to invest in growth.
 - In 2015 , we generated \$1.9 billion in total bookings up from \$1.1 billion in 2011 , representing a CAGR, of 15% .
 - In 2015 , we had \$1.6 billion of revenue up from \$894.3 million in 2011 , representing a CAGR of 16% .
 - In the five years ended December 31, 2015 , we invested to support our growth with \$1.1 billion and \$ 764.1 million in technology and development expenses and marketing and advertising expenses, respectively.

Our Strategy—How We Grow

We are pursuing the following principal strategies to drive our business:

- **Expand and innovate our product offerings** . Our product innovation priorities include:
 - **Delivering the next generation of naming** . The first generation of naming included a limited set of gTLDs, such as .com and .net, and country code top-level domains (ccTLDs), such as .uk and .in. With over 299 million existing domains registered, it may be increasingly difficult for customers to find the name best suiting their needs. As a result, ICANN has authorized the introduction of more than 1,300 new gTLDs, which began in late 2013 and will continue over the next several years. These newly introduced gTLDs include names geared toward professions (e.g. .photography), personal interests (e.g. .guru), and geographies (e.g. .london, .nyc and .vegas) and are just plain fun (e.g. .ninja). Additionally, we believe there is great potential in the emerging secondary market to match buyers to sellers who already own domains. In January 2016, we launched the GoDaddy Investor mobile application to help investors watch and bid on domains at auction and stay on top of their current bids, all from their mobile device. We continue to invest in search, discovery and recommendation tools and transfer protocols for the combined markets of primary and secondary domains.
 - **Powering elegant and effortless presence** . We continue to invest in tools, templates and technology to make the process of building a professional looking mobile or desktop website simple and easy. Additionally, we are investing in products helping our customers drive their customer acquisition efforts by managing their presence across search engines, social networks and vertical marketplaces.
 - **Making the business of business easy** . Our business applications range from domain-specific email and email marketing to payment tools and help our customers grow their ventures. We intend to continue investing in the breadth of our product offerings helping our customers connect with their customers and run their businesses.
- **Win the Web Pros** . We are investing in our end-to-end Web Pro offerings ranging from open APIs to our platform, delegation products and administrative tools as well as dedicated Customer Care resources. Our acquisition of Media Temple and launch of GoDaddy Pro further expanded our Web Pro offerings, bolstered our Web Pro-focused Customer Care team and extended our reach into the Web Pro community.
- **Go global** . As of December 31, 2015 , approximately 31% of our customers were located in international markets, notably Canada, India and the United Kingdom. We began investing in the localization of our service offerings in

markets outside of the United States in 2012 and, as of December 31, 2015, we offered localized products and Customer Care in 37 countries, 44 currencies and 17 languages. To support our international growth, we will continue investing to develop our local capabilities across products, marketing programs, data centers and Customer Care.

- **Partner up** . Our flexible platform also enables us to acquire companies and quickly launch new products for our customers, including the launch of a series of partnerships ranging from Microsoft Office 365 for email to PayPal for payments. We have also acquired companies and technologies to complement our product offerings. We intend to continue identifying technology acquisition targets and partnership opportunities that add value for our customers.
- **Make it personal** . We seek to leverage data and insights to personalize the product and Customer Care experiences of our customers as well as tailor our solutions and marketing efforts to each of our customer groups. We are constantly seeking to improve our website, marketing programs and Customer Care to intelligently reflect where customers are in their lifecycle and identify their specific product needs. We intend to continue investing in our technology and data platforms to further enable our personalization efforts.
- **Wrap it with Care** . We believe our highly-rated Customer Care team is distinctive and essential to the lifetime value proposition we offer our customers. We continue to invest in our Customer Care team, including investing to improve the quality of our Customer Care resources as well as to introduce improved tools and processes across our expanding global footprint.

Products

We have designed and developed an extensive set of easy to use, cloud-based technology products enabling our customers to establish a digital presence, connect with their customers and manage their business operations. We understand our customers' needs vary depending on the type and stage of their venture, which is why we offer our products both independently and bundled as suites of integrated products designed for specific activities.

Our domain name registration product enables us to engage customers at the initial stage of establishing a digital identity and acts as an on-ramp for our hosting, presence and business application products. We believe our hosting, presence and business application products increase our revenue and margin growth opportunities, frequently serve as starting points for our customer relationships, improve customer retention and significantly improve our value proposition to customers.

Domains

We are the global market leader in domain name registration. Securing a domain is a necessary first step to creating a digital identity and our domain products often serve as the starting point in our customer relationships. As of December 31, 2015, more than 93% of our customers had purchased a domain from us, and as of December 31, 2015, we had approximately 62 million domains under management. In 2015, 2014 and 2013, we generated approximately 52%, 55% and 59% of our total revenue, respectively, from sales of our domain products.

Our primary domains product offerings are:

Primary Registrations . Using our website or mobile application, we offer customers the ability to search for and register available domain names, or primary registrations, with the relevant registry. Our inventory for primary registrations is defined by the number of TLDs we offer. As of December 31, 2015, 367 different gTLDs, such as .com, .net and .org, and 50 different ccTLDs, such as .de, .ca, .in and .jp, were available for purchase through our primary registration product. New gTLDs launched in 2013 include names geared toward professions (e.g. .photography), personal interests (e.g. .guru), and geographies (e.g. .london, .nyc and .vegas) and are just plain fun (e.g. .ninja). As of December 31, 2015, 357 new gTLD offerings were available for purchase through our primary registration product. These new gTLDs make it easier for companies and individuals to find and register new, easy-to-remember domain names tailored to their business, industry or interests that may not have been available in the relatively crowded, traditional gTLDs such as .com. ccTLDs are important to our international expansion efforts as we have found international customers often prefer the ccTLD for the country or geographic market in which they operate. Our primary registration offering relies heavily on our search, discovery and recommendation tools which enable our customers to find a name matching their needs.

Domain Name Add-Ons . Domain name add-ons are features a customer can add to a domain name registration. Our domain name privacy product allows our customers to register a domain name on an "unlisted" basis. This product helps prevent privacy intrusions, helps deter domain related spam and allows our customers to confidentially secure a domain for an unannounced product, service or idea. Domain name add-ons are typically purchased concurrently with domain name registrations and have minimal costs associated with their delivery.

Aftermarket . We operate the world's largest domain aftermarket which processes aftermarket, or secondary, domain name sales. Our aftermarket platform, which we substantially supplemented through our acquisition of Afternic in 2013, is designed to enable the seamless purchase and sale of an already registered domain name through an online auction, an offer and counter-offer transaction or a "buy now" transaction. In 2015 , we acquired approximately 278,000 premium domain names to increase the inventory available to our customers. In January 2016, we launched the GoDaddy Investor mobile application to help investors watch and bid on domains at auction and stay on top of their current bids, all from their mobile device. We operate a cross-registrar network that automates transaction execution across registrars thereby reducing the time required to complete a transaction. We receive a percentage of the sales price for each domain sold.

Hosting and Presence

We offer a variety of hosting and presence products enabling our customers to create and manage their digital identity, or in the case of Web Pros, the digital identities of their end-customers. As of December 31, 2015 , we hosted approximately 10 million websites. In 2015 , 2014 and 2013 , we derived approximately 37% , 37% and 34% of our total revenue, respectively, from sales of our hosting and presence products.

Our primary hosting products are:

Shared Website Hosting . The term "shared hosting" refers to the housing of multiple websites on the same server and is our most popular hosting product. We operate, maintain and support shared website hosting in our owned and operated data center and our leased co-located data center facilities using either Linux or Windows operating systems. We currently offer three tiers of shared website hosting plans to suit the needs and resources of our customers, all of which use industry standard cPanel or Parallels Plesk control panels. We also bundle our hosting plans with a variety of applications and products such as web analytics and SSL certificates.

Website Hosting on Virtual Dedicated Servers and Dedicated Servers . Our virtual dedicated and dedicated servers provide customers with greater control and higher performance than our shared hosting plans. Our virtual dedicated hosting offering utilizes software to partition a single physical server allowing it to function as multiple servers. Our dedicated server offering provides customers with a server reserved exclusively for their use. Both of these products are designed to meet the requirements of customers with more advanced technical capabilities and needs by providing the customer with full control of and electronic access to their server. We offer customers the ability to tailor their plan based on a range of hardware, performance, storage, bandwidth, operating system and control features.

Managed Hosting . With our managed hosting product, we set up, monitor, maintain, secure and patch the dedicated server for the customer so our managed hosting customers get the benefits of a dedicated server without the responsibility of actually running the server. We can also install and maintain a variety of web applications such as WordPress, Joomla, Magento and Gallery on behalf of our customers upon request. We offer a variety of managed hosting plans tailored to our customers' needs as well as our Expert Hands offering, which provides additional custom support services at an hourly rate.

Security . Our security products include SSL certificates and malware scanners. According to Netcraft, we are the world's third largest provider of SSL certificates. An SSL certificate validates a customer's website identity and encrypts online transactional information, such as credit card information, and communications sent to or by the website. We offer a variety of SSL certificates all of which provide high-grade, 256-bit encryption. Our SSL certificate offerings include multiple domain SSLs and "wildcard" SSL certificates, which secure a singular website URL as well as subdomains on that URL (e.g. protectmyvisitors.com and cart.protectmyvisitors.com). We also offer "code signing certificates" designed to prove the identity of software authors and validate that the software has not been tampered with since its original distribution.

Cloud Services and Cloud Applications . Our cloud servers are a non-managed cloud product built on our OpenStack platform. Cloud servers allow our customers to easily create and manage servers on their own and pay for only the resources they

actually use. Our cloud applications product is designed to be a flexible solution, supporting over 100 popular open source applications and technology stacks that can be "right sized" in order to meet our customers' needs.

Our primary presence products are:

Website Builder . Our Website Builder is an easy to use, do it yourself online tool enabling customers, irrespective of their technical skills, to build elegant websites. We offer a variety of plans, with pricing dependent on the number of available design styles and desired business and marketing features. With each of these plans, customers have access to hundreds of professional designs which can be further customized using our drag-and-drop editor by adding photos, graphics or text. Our designs cover a wide range of categories with professionally written content for small businesses, organizations, families, athletic teams, weddings, reunions and other interest groups. Once built, websites can be easily connected to social profiles, such as Facebook and Twitter, and optimized for search engines using Website Builder. Our customers are also able to receive a mobile-optimized version of their website through Website Builder.

E-commerce . Our online store product allows customers to easily create their own standalone online store or add one to an existing website. It allows customers to post their product catalogs, integrate online sales information with Intuit's QuickBooks product, list products for auction on eBay, streamline shipping logistics, accept credit card and PayPal payments on their websites and market their websites through Google services. We also offer our customers easy to use merchant accounts, which are required to process credit card payments.

Search Engine Visibility . Search Engine Visibility (SEV) helps our customers get their websites found on major search sites through search engine optimization. SEV offers a simple step-by-step wizard giving targeted recommendations on which search phrases are most likely to drive traffic to a customer's site. All customers receive specific recommendations on keywords and content. Customers who are using a GoDaddy domain name and GoDaddy DNS can also automatically apply the updates with one click, meaning they never have to touch a line of code.

Business Applications

We offer a variety of products designed to make the business of business easier for our customers. The products we offer include those developed in-house as well as third-party applications which we distribute and support, such as Microsoft Office 365. In 2015 , 2014 and 2013 , we derived approximately 11% , 8% and 7% of our total revenue, respectively, from sales of our business applications.

Our primary business application products are:

Email Accounts . We offer email accounts which use our customers' domains and include a multi-feature web interface for both desktop and mobile devices, accompanied by an integrated calendar and secure online storage. We offer a variety of plans, with pricing dependent on the customer's desired amount of storage and number of email addresses. All of our email accounts are advertising-free and include security functionality designed to provide protection from spam, viruses and other forms of online fraud, such as phishing.

Microsoft Office 365 . We offer Microsoft Office 365 in a simple, supported process providing email accounts which use our customers' domains and some of which include secure online storage. We offer Microsoft Office 365 in multiple plans ranging from email with calendar and contacts connected to a custom domain to a full suite of productivity tools, including file sharing and full desktop versions of applications, including Outlook, Word, Excel and PowerPoint. It is easy to set up and can be up and running in minutes.

Email Marketing . Our email marketing product helps customers market their businesses through permission-based email. Customers can easily create and send newsletters, targeted advertising campaigns, promotions and surveys as well as connect email campaigns with their social media networks and track the results of campaigns through our email marketing product.

Technology and Infrastructure

Our technology platform forms the core of many of our solutions, and we have invested significantly to develop a platform designed to be intelligent, fast, secure and scalable. Our technology and development expenses, including those expenses related to our technology platform, were \$270 million, \$251 million and \$206 million in 2015, 2014 and 2013, respectively. We have built a scalable platform allowing us to provide faster business insights at lower costs, develop and introduce new products quickly and leverage economies of scale to reduce costs and enable next-generation hosting architecture. Our technology stack, which includes physical infrastructure, Infrastructure-as-a-Service, Platform-as-a-Service, applications and data science, allows our customers to build and manage their digital identities and enable access across multiple devices. We seek to continuously enhance the performance and reliability of our technology infrastructure by investing in faster data centers, peering sites and local points of presence, both domestically and internationally.

Physical infrastructure

Our physical technology infrastructure includes servers located throughout nine data centers around the world. We have also invested significantly in our peering architecture and utilize multiple peering sites allowing us to handle high IP transit traffic at low bandwidth costs. Our large technology infrastructure footprint allows us to leverage economies of scale through low server, network, storage and processing costs by commoditizing hardware across various systems and leveraging virtualization where possible.

Infrastructure-as-a-Service

We leverage an Infrastructure-as-a-Service model geared toward the virtualization and automation of common physical data center components like servers, load balancers, switches and storage. We use open source solutions when possible to eliminate manual processes and thereby reduce the risk of human error as well as to lower costs. Additionally, we are beginning to use a single automated infrastructure based on OpenStack to enable next-generation hosting architecture.

Platform-as-a-Service

Our cloud platform offers our customers an integrated and comprehensive set of services saving them time. Our platform is designed to help us reduce costs, increase personalization and more easily and quickly build and deploy new products. We continuously invest to develop our platform capabilities and have recently deployed a new authentication platform allowing us to onboard new products more quickly and securely. We have also deployed Cassandra, an open source distributed database management system, across our datacenters for improved customer data replication enabling personalization.

Applications

Our platform is highly flexible which allows us to easily integrate third-party offerings and enhance our value proposition to our customers by offering comprehensive and integrated solutions that can be rapidly scaled up or down and used across multiple platforms, including mobile. Our platform also allows resellers to easily sell our products, thereby broadening our distribution. We seek to continuously launch new and relevant applications and streamline our existing offerings in order to provide the best user experience to our customers.

Data science

Our data collection technology enables us to collect customer, product and business data from various sources, including web crawling, local listings providers (e.g. Yelp and state business registrations), social platforms (e.g. Facebook and Twitter) and mobile platforms (e.g. geolocation and e-commerce). We use Hadoop, an open source software framework for storage and large-scale processing of data sets, to develop an integrated customer insights data platform. By integrating this data, we are able to offer personalized and intelligent insights and business intelligence to our customers that they can access via dashboards. These dashboards also enhance our ability to develop and deploy differentiated products and more intelligent Customer Care. We believe our ability to offer this insight helps us deliver the right solutions targeted to the needs of our customers and attract more businesses to our platform.

Customer Care

We have more than 3,800 Customer Care specialists who provide technical assistance on a 24/7/365 basis to new and existing customers located around the world. Operating as "business consultants," our specialists advise customers of products best suiting their individual needs. This ability to provide real-time product suggestions to customers after providing a world-class support experience allows our Customer Care team to provide an impactful contribution to bookings through the sale of product subscriptions, including domain products, hosting and presence offerings and business applications. Our Customer Care specialists take great pride in owning outcomes and being accountable to our customers, both of which are essential to enhancing customer experience. In each of the years 2015, 2014 and 2013, at least 23% of our total bookings were generated from the sale of product subscriptions by our Customer Care team. The majority of our Customer Care specialists are located in our Arizona and Iowa facilities in the United States. We have additional specialists in Europe and India to provide in-region support in languages native to many of the regions we serve. In addition, our easy to use website contains extensive educational content designed to demystify the process of establishing an online presence and to assist customers in choosing the products best meeting their needs.

Our Customer Care team has handled over 12 million contacts per year in each of the last three years ended December 31, 2015 and spans a variety of channels to provide tailored and timely support to our customers. Our customers can choose their preferred Customer Care channel, including proactive and reactive chat and phone support. We take a consultative approach to our customers, acting as a trusted partner to guide them through the process with technical solutions supporting them at each phase of their lifecycle and offer real-time product suggestions best suited to the customers' needs. The effectiveness of our model is reflected in the high ratings we receive from our customers, the bookings generated by our Customer Care team and strong customer referrals.

The strength of our Customer Care team is our people. Our hiring process is extensive and highly selective, designed to yield individuals who will thrive in our team based on core values, character, work ethic and ability. Our new Customer Care hires spend over a month moving from classroom to a live "nesting" environment where they refine their customer and technology skills. With a commitment to life-long learning, we offer over 400 classes to our employees spanning leadership, sales, service and technology. We have an incentive program that rewards outcomes, across both customer satisfaction and bookings goals. For that and many other reasons, as of December 31, 2015, approximately 33% of our Customer Care specialists had been with us for at least three years.

Marketing

We believe GoDaddy is one of the most recognized technology brands in the United States. We have established this high level of brand awareness primarily through our advertising campaigns across various platforms including television commercials, print, online and billboards. We have supplemented these advertising campaigns with athlete and celebrity sponsorships. Our strong brand has helped us attract and retain 13.8 million customers as of December 31, 2015. We intend to continue investing in our brand as we seek to further grow our total customers, particularly internationally. Customer referrals are another highly efficient and cost-effective channel for acquiring customers.

We complement our brand marketing efforts with highly focused and metric-driven direct response marketing to acquire new customers. We use a variety of targeted online marketing programs for lead generation, including search engine marketing, search engine optimization and targeted email and social media marketing campaigns, as well as more traditional direct marketing and indirect channel partner marketing programs, to drive interest in our products and traffic to our websites. As part of this effort, we regularly run numerous campaigns simultaneously and constantly refine our media mix across our channels.

International

We have more than 4 million customers outside of the United States in approximately 250 countries. In 2015, we derived 26% of our total bookings from international sales compared to 25% in 2014 and 24% in 2013. Historically, we were primarily focused on the U.S. market and only offered international customers our U.S.-centric product offerings, without any localization or meaningful international marketing efforts. We believe our international scale and growth to date are indicative of the international growth opportunities available to us and position us to continue to grow our business internationally.

We recently began devoting substantial, dedicated resources to growing our international presence. This led to the establishment of our Customer Care center in India in 2012, the initial introduction of localized websites and products in 2013 and the expansion of these localized products and Customer Care to 37 countries, 44 currencies and 17 languages as of December 31, 2015. Central to our international strategy is a philosophy of localizing our product offerings and deploying them through our global infrastructure.

We built a team of more than 35 people to date who are responsible for the internationalization and localization of our core product offerings as well as our Customer Care and marketing efforts. In conjunction with our localization efforts, we have added on-the-ground regional teams and increased our country and regional specific marketing spend. These investments have enabled us to successfully launch our business in select international markets. Our success in these markets has furthered our belief that our international model can work in both established and emerging markets. We have taken a rigorous approach to managing the level of investment we expect to make in each geographic market we enter based on a market tier approach. We expect to continue to expand internationally, targeting additional markets in Europe, Asia and the Middle East over the next several years.

Competition

We provide cloud-based solutions enabling individuals, businesses and organizations to establish an online presence, connect with customers and manage their ventures. The market for providing these solutions is highly fragmented with some vendors providing part of the solution, and highly competitive with many existing competitors. These solutions are also rapidly evolving, creating opportunity for new competitors to enter the market with point product solutions or addressing specific segments of the market. In some instances, we have commercial partnerships with companies with which we also compete. Given our broad product portfolio, we compete with niche point-solution products and broader solution providers. Our competitors include providers of:

- traditional domain registration services and web-hosting solutions such as Endurance, Rightside, United Internet and Web.com;
- website creation and management solutions and e-commerce enablement providers such as Shopify, Squarespace, Wix and WordPress;
- cloud-infrastructure services and online security providers such as Rackspace and Symantec;
- alternative web presence and marketing solutions providers such as Constant Contact, OpenTable, Yelp and Zillow; and
- productivity tools including business-class email, calendaring, file-sharing and payments such as Dropbox, Intuit, Square and Xero.

We expect continued competition from competitors in the domain, hosting and presence markets such as Endurance, Rightside, United Internet and Web.com, as well as potential increased competition from companies like Amazon, Google and Microsoft, all of which are providers of web-hosting and other cloud-based services and have recently entered the domain name registration business as upstream registries, and eBay and Facebook, both of which offer robust Internet marketing platforms.

We believe the principal competitive factors include: product capabilities meeting customer requirements, a secure, reliable and integrated technology platform, cost-effective customer acquisition, brand awareness and reputation, customer service and support and overall customer satisfaction. We believe we compete favorably with respect to each of these factors. For additional information, see "Risk Factors."

Regulation

Our business is subject to regulation by ICANN, federal and state laws in the United States and the laws of other jurisdictions in which we do business.

ICANN. The registration of domain names is governed by ICANN. ICANN is a multi-stakeholder private sector, not-for-profit corporation formed in 1998 operating pursuant to a memorandum of understanding with the U.S. Department of Commerce for the express purposes of overseeing a number of Internet related tasks, including managing the DNS, allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these

functions. We are accredited by ICANN as a domain name registrar and thus our ability to offer domain name registration products is subject to our ongoing relationship with and accreditation by ICANN. The regulation of Internet domain names in the United States and in foreign countries is subject to change. In particular, on March 14, 2014, the NTIA announced its intention to transition key Internet domain name functions to the global multi-stakeholder community. At this time there is uncertainty concerning the timing, nature and significance of any transition from U.S. oversight of ICANN to oversight of ICANN by another body or bodies.

ccTLD Authorities. The regulation of ccTLDs is governed by national regulatory agencies of the country underlying the specific ccTLDs, such as China (.cn), Canada (.ca) and the United Kingdom (.uk). Our ability to sell ccTLDs is dependent on our and our partners' ability to maintain accreditation in good standing with these various international authorities.

Advertising and promotional information presented on our websites and in our products, and our other marketing and promotional activities, are subject to federal and state consumer protection laws regulating unfair and deceptive practices. U.S. federal, state, and foreign legislatures have also adopted laws and regulations regulating numerous other aspects of our business. Regulations relating to the Internet, including laws governing online content, user privacy, taxation, liability for third-party activities and jurisdiction, are particularly relevant to our business. Such laws and regulations are discussed below.

Communications Decency Act. The CDA regulates content of material on the Internet, and provides immunity to Internet service providers and providers of interactive computer services for certain claims based on content posted by third parties. The CDA and the case law interpreting it generally provide that domain name registrars and website hosting providers cannot be liable for defamatory or obscene content posted by customers on their servers unless they participate in creating or developing the content.

Digital Millennium Copyright Act. The DMCA provides domain name registrars and website hosting providers a safe harbor from liability for third-party copyright infringement. To qualify for the safe harbor, however, registrars and website hosting providers must satisfy numerous requirements, including adoption of a user policy providing for termination of service access of users who are repeat infringers, informing users of this policy, and implementing the policy in a reasonable manner. In addition, registrars and website hosting providers must expeditiously remove or disable access to content upon receiving a proper notice from a copyright owner alleging infringement of its protected works. A registrar or website hosting provider failing to comply with these safe harbor requirements may be found liable for copyright infringement.

Anti-Cybersquatting Consumer Protection Act. The ACPA was enacted to address piracy on the Internet by curtailing a practice known as "cybersquatting," or the bad-faith registration of a domain name identical or similar to another party's trademark, or to the name of another living person, in order to profit from that name or mark. The ACPA provides that registrars may not be held liable for damages for registration or maintenance of a domain name for another person absent a showing of the registrar's bad faith intent to profit. Registrars may, however, be held liable if their activities are deemed outside the scope of basic registrar functions.

Lanham Act. The Lanham Act governs trademarks and false advertising. Case law interpreting the Lanham Act has limited liability for many online service providers such as search engines and domain name registrars. Nevertheless, there is no statutory safe harbor for trademark violations comparable to the provisions of the DMCA and we may be subject to a variety of trademark claims in the future.

Privacy and Data Protection. In the areas of personal privacy and data protection, the U.S. federal and various state and foreign governments have adopted or proposed limitations on, and requirements associated with, the collection, distribution, use, storage, and security of personal information of individuals. If our practices with respect to the collection, distribution, storage, or security of personal information are challenged, we may not be able to demonstrate adequate compliance with existing or future laws or regulations. In addition, in the European Union member states and certain other countries outside the U.S., data protection is more highly regulated and rigidly enforced. As we conduct and expand our business within these countries, we expect compliance with these regulatory schemes to be more burdensome and costly for us.

Laws and regulations relating to our activities are unsettled in many jurisdictions, or may prove difficult or impossible to comply with in some jurisdictions. Additionally, federal, state, local and foreign governments are also considering legislative and regulatory proposals that would regulate the Internet and our activities in more and different ways than exist today. It also is impossible to predict whether new taxes will be imposed on our services, and depending upon the type of such taxes, whether and

how we would be affected. Laws and regulations in the United States or in foreign jurisdictions may be applied in new or different manners in pending or future litigation. Further, other existing bodies of law, including the criminal laws of various jurisdictions, may be deemed to apply to our activities, or new statutes or regulations may be adopted in the future.

Intellectual Property and Proprietary Rights

Our intellectual property and proprietary rights are important to our business. We rely on a combination of trademark, patent, copyright and trade secret laws, confidentiality and access-related procedures and safeguards and contractual provisions to protect our proprietary technologies, confidential information, brands and other intellectual property.

We have also developed, acquired or licensed proprietary technologies for use in our business. As of December 31, 2015 we had 164 issued patents in the United States covering various aspects of our product offerings. Additionally, as of December 31, 2015, we had 211 pending U.S. patent applications and intend to file additional patent applications in the future.

We have non-disclosure, confidentiality and license agreements with employees, contractors, customers and other third parties, which limit access to and use of our proprietary information. Though we rely in part upon these legal and contractual protections, as well as various procedural safeguards, we believe the skill and ingenuity of our employees, the functionality and frequent enhancements to our solutions and our ability to introduce new products and features meeting the needs of our customers are more important to maintaining our competitive position in the marketplace.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines and logos in the United States and other countries to the extent we determine appropriate and cost-effective. We also have common law rights in some unregistered trademarks that were established over years of use. In addition, we have a trademark and service mark enforcement program pursuant to which we monitor applications filed by third parties to register trademarks and service marks that may be confusingly similar to ours, as well as the use of our major brand names in social media, domain names and other Internet sites.

Despite our efforts to preserve and protect our intellectual property, unauthorized third parties may attempt to copy, reverse engineer or otherwise obtain access to our proprietary rights, and competitors may attempt to develop solutions that could compete with us in the markets we serve. Unauthorized disclosure of our confidential information or proprietary technologies by our employees or third parties could also occur. The risk of unauthorized use of our proprietary and intellectual property rights may increase as we continue to expand outside of the United States.

Third-party infringement claims are also possible in our industry, especially as functionality and features expand, evolve and overlap across industries. Third parties, including non-practicing patent holders, have from time to time claimed, and could claim in the future, that our processes, technologies or websites infringe patents they now hold or might obtain or be issued in the future.

Employees

As of December 31, 2015, we had 4,761 employees worldwide, including 3,243 in our Customer Care team, 811 in technology and development, 132 in marketing and advertising and 575 in general and administrative. Excluded from our employee figures are more than 600 Customer Care specialists located in India and Belfast, Ireland who are directly employed by third-party partners, but who are devoted to GoDaddy on a full time basis. Substantially all of our employees are based in the United States. None of our employees is represented by a labor union or is party to any collective bargaining agreement in connection with his or her employment with us.

Part II.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included in "Financial Statements and Supplementary Data." Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements involving significant risks and uncertainties. As a result of many factors, such as those set forth in "Risk Factors," our actual results may differ materially from the results described in, or implied by, these forward-looking statements.

(Throughout this discussion and analysis, dollars are in millions, unless otherwise noted.)

Overview

We are the global market leader in domain name registration. Securing a domain is a necessary first step to creating a digital identity and our domain products often serve as the starting point in our customer relationships. As of December 31, 2015, more than 93% of our customers had purchased a domain from us and we had approximately 62 million domains under management. According to VeriSign's Domain Name Industry Brief, we had 20% of the world's domains registered as of September 30, 2015.

We also offer hosting, presence and business application products enhancing our value proposition to our customers by enabling them to create, manage and syndicate their, or their customers', digital identities. While these products are often purchased in conjunction with, or subsequent to, an initial domain registration, they are also frequently the starting points in our customer relationships. As we have grown, our hosting, presence and business applications products have become increasingly important parts of our business, constituting over 48% of total revenue in 2015.

Financial Highlights

Below are our key financial highlights for the year ended December 31, 2015. All comparisons are to the year ended December 31, 2014.

- Total revenue of \$1,607.3 million, an increase of 15.9%, or approximately 17.3% on a constant currency basis ⁽¹⁾.
- International revenue of \$414.7 million, an increase of 19.0%, or approximately 24.4% on a constant currency basis ⁽¹⁾.
- Total bookings ⁽²⁾, a non-GAAP financial measure, of \$1,914.2 million, an increase of 14.3%, or approximately 17.5% on a constant currency basis ⁽¹⁾.
- Net loss was \$120.4 million.
- Adjusted EBITDA ⁽¹⁾, a non-GAAP financial measure, of \$337.4 million increased 24.3%.
- Total customers of 13.8 million increased 8.7%.
- Average revenue per user of \$121 increased 6.3%.
- Cash and cash equivalents were \$348.0 million.
- Operating cash flow was \$259.4 million.
- Capital expenditures were \$55.8 million.

⁽¹⁾ Discussion of constant currency is set forth in "Quantitative and Qualitative Disclosures about Market Risk."

⁽²⁾ Total bookings and adjusted EBITDA are non-GAAP financial measures. Reconciliations of total bookings to total revenue and adjusted EBITDA to net loss, the most directly comparable GAAP financial measures, are set forth in "Selected Financial Data—Reconciliation of Non-GAAP Financial Measures."

Our Financial Model

We have developed a stable and predictable business model driven by efficient customer acquisition, high customer retention rates and increasing lifetime spend. We grew our total customers from 11.6 million as of December 31, 2013 to 13.8 million as of December 31, 2015, primarily through a combination of brand advertising, direct marketing efforts and customer referrals. In each of the five years ended December 31, 2015, our customer retention rate exceeded 85% and our retention rate for customers who had been with us for over three years was approximately 90%. We believe the breadth and depth of our product offerings and the high quality and responsiveness of our Customer Care team build strong relationships with our customers and are key to our high level of customer retention.

We generate bookings and revenue from sales of product subscriptions, including domain products, hosting and presence offerings and business applications, as described below. We offer our product subscriptions on a variety of terms, which are typically one year, but can range from monthly terms to multi-annual terms of up to ten years depending on the product. We use total bookings as a performance measure, since we typically collect payment at the time of sale and recognize revenue ratably over the term of our customer contracts. Accordingly, we believe total bookings is an indicator of the expected growth in our revenue and the operating performance of our business.

Domains. We generated 52% of our 2015 total revenue from the sale of domain products, primarily from domain name registrations and renewals, domain add-ons such as privacy and aftermarket sales. Total revenue from domains grew an average of 12% annually for the three years ended December 31, 2015.

Hosting and Presence. We generated 37% of our 2015 total revenue from the sale of hosting and presence products, primarily from a variety of web-hosting offerings, website builder products, SSL certificates and e-commerce products. These products generally have higher margins than domains. Total revenue from hosting and presence products grew an average of 25% annually for the three years ended December 31, 2015.

Business Applications. We generated 11% of our 2015 total revenue from the sale of business applications products, primarily from productivity tools such as domain-specific email accounts, which also have higher margins than domains. Total revenue from business applications grew an average of 49% annually for the three years ended December 31, 2015.

Total revenue derived from each of our product categories have increased in each of the last three years ended December 31, 2015, with our hosting, presence and business applications products growing faster in recent periods. This mix shift has favorably impacted our margins.

In each of the five years ended December 31, 2015, greater than 85% of our total revenue, excluding the impact of purchase accounting, was generated by customers who were also customers in the prior year. To track our growth and the stability of our customer base, we monitor, among other things, revenue, retention rates and ARPU generated by our annual customer cohorts over time, as well as corresponding marketing and advertising spend. We define an annual customer cohort to include each customer who first became a customer during a calendar year. For example, in calendar year 2010, we acquired 2.3 million customers, who we collectively refer to as our 2010 cohort. During the same time period, we spent \$94 million in marketing and advertising expenses. By the end of 2015, the 2010 cohort had generated an aggregate of \$956 million of total bookings, and we expect this cohort will continue to generate bookings and revenue in the future. For the five years ended December 31, 2015, the average retention rate of the 2010 cohort was approximately 88%. Over this period, ARPU, excluding the impact of purchase accounting, for the 2010 cohort grew from \$75 in 2011 to \$136 in 2015, representing a CAGR of 16%. We selected the 2010 cohort for this analysis because we believe the 2010 cohort is representative of the spending patterns and revenue impact of our other cohorts. We believe our cohort analysis is important to illustrate the long-term value of our customers.

Key Metrics

As described in "Selected Financial Data," we monitor the following key metrics to help us evaluate growth trends, establish budgets and assess operational performance. These metrics are supplemental to our GAAP results and include operational and non-GAAP measures. Reconciliations of total bookings to total revenue and adjusted EBITDA to net loss, the most directly comparable GAAP financial measures, are set forth in "Selected Financial Data-Reconciliation of Non-GAAP Financial Measures." In addition to our results determined in accordance with GAAP, we believe the following non-GAAP and operational measures are useful in evaluating our business:

	Year Ended December 31,		
	2015	2014	2013
	(unaudited; in millions, except ARPU)		
Total bookings	\$ 1,914.2	\$ 1,675.2	\$ 1,397.9
Total customers at period end	13.8	12.7	11.6
Average revenue per user (ARPU)	\$ 121	\$ 114	\$ 104
Adjusted EBITDA	\$ 337.4	\$ 271.5	\$ 196.3

Total bookings . Total bookings increased 14.3% from \$1,675.2 million in 2014 to \$1,914.2 million in 2015 . This increase was primarily driven by an 8.7% increase in total customers since December 31, 2014 , a 4.6% increase in domains under management over the same period, increased customer spending on non-domains products and a higher growth rate associated with our continued international expansion, partially offset by the impact of adverse movements in foreign currency exchange rates. Our hosting and presence and business applications bookings are growing at a faster rate than domains bookings as customers broaden their adoption of our products.

Total bookings increased 19.8% from \$ 1,397.9 million in 2013 to \$1,675.2 million in 2014 , primarily driven by a 9.7% increase in total customers since December 31, 2013 , a 3.5% increase in domains under management over the same period and \$45.0 million of incremental bookings from businesses acquired in the fourth quarter of 2013.

Total customers . As of December 31, 2015 , 2014 , and 2013 , we had 13.8 million , 12.7 million and 11.6 million total customers, respectively. Our customer growth primarily resulted from increased brand awareness, our ongoing marketing and advertising initiatives, our continued international expansion, our enhanced and expanded product offerings and acquisitions.

Average revenue per user . ARPU increased 6.3% from \$114 in 2014 to \$121 in 2015 and increased 10.2% from \$104 in 2013 to \$114 in 2014 , primarily due to broadened customer adoption of our products resulting in increased customer spend, revenue from acquired businesses and the reduced impact of purchase accounting adjustments.

Adjusted EBITDA . Adjusted EBITDA increased 38.3% from \$196.3 million in 2013 to \$271.5 million in 2014 and increased 24.3% to \$337.4 million in 2015 , primarily due to our revenue growth, revenue from acquired businesses and improved operating efficiencies.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2015	2014	2013
Revenue:			
Domains	\$ 840.8	\$ 763.3	\$ 671.6
Hosting and presence	592.0	507.9	380.6
Business applications	174.5	116.1	78.6
Total revenue	1,607.3	1,387.3	1,130.8
Costs and operating expenses:			
Cost of revenue (excluding depreciation and amortization)	565.9	518.4	473.9
Technology and development	270.2	250.8	206.0
Marketing and advertising	202.2	164.7	145.5
Customer care	221.5	190.5	150.9
General and administrative	219.7	172.0	145.8
Depreciation and amortization	158.8	152.8	140.6
Total costs and operating expenses	1,638.3	1,449.2	1,262.7
Operating loss	(31.0)	(61.9)	(131.9)
Interest expense	(69.2)	(85.0)	(71.0)
Loss on debt extinguishment	(21.4)	—	—
Other income (expense), net	1.0	0.8	1.9
Loss before income taxes	(120.6)	(146.1)	(201.0)
Benefit for income taxes	0.2	2.8	1.1
Net loss	(120.4)	(143.3)	(199.9)
Less: net loss attributable to non-controlling interests	(44.8)	—	—
Net loss attributable to GoDaddy Inc.	\$ (75.6)	\$ (143.3)	\$ (199.9)

	Year Ended December 31,		
	2015	2014	2013
Revenue:			
Domains	52.3%	55.0%	59.4 %
Hosting and presence	36.8%	36.6%	33.7 %
Business applications	10.9%	8.4%	6.9 %
Total revenue	100.0%	100.0%	100.0 %
Costs and operating expenses:			
Cost of revenue (excluding depreciation and amortization)	35.2 %	37.4 %	41.9 %
Technology and development	16.8 %	18.1 %	18.2 %
Marketing and advertising	12.6 %	11.9 %	12.9 %
Customer care	13.8 %	13.7 %	13.3 %
General and administrative	13.7 %	12.4 %	12.9 %
Depreciation and amortization	9.9 %	11.0 %	12.4 %
Total costs and operating expenses	102.0 %	104.5 %	111.6 %
Operating loss	(2.0)%	(4.5)%	(11.6)%
Interest expense	(4.3)%	(6.1)%	(6.4)%
Loss on debt extinguishment	(1.3)%	— %	— %
Other income (expense), net	0.1 %	0.1 %	0.2 %
Loss before income taxes	(7.5)%	(10.5)%	(17.8)%
Benefit for income taxes	— %	0.2 %	0.1 %
Net loss	(7.5)%	(10.3)%	(17.7)%
Less: net loss attributable to non-controlling interests	(2.8)%	— %	— %
Net loss attributable to GoDaddy Inc.	(4.7)%	(10.3)%	(17.7)%

Comparison of Years Ended December 31, 2015, 2014 and 2013

Revenue

We generate substantially all of our revenue from sales of product 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 10 years depending on the product. We generally collect the full amount of subscription fees at the time of sale, but recognize revenue ratably over the applicable contract term.

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 to our website hosting products, website building products, online visibility products, security products and an online shopping cart.

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

Revenue is presented net of refunds, and we maintain a reserve to provide for refunds granted to customers. Our reserve is an estimate based on historical refund experience. Refunds reduce deferred revenue at the time they are granted and result in a reduced amount of revenue recognized over the applicable subscription terms compared to the amount originally expected. Our annual refund rate has ranged from 6.9% to 7.2% of total bookings from 2013 to 2015 .

The following table presents our revenue during the years ended December 31, 2015, 2014 and 2013 :

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Domains	\$ 840.8	\$ 763.3	\$ 671.6	\$ 77.5	10%	\$ 91.7	14%
Hosting and presence	592.0	507.9	380.6	84.1	17%	127.3	33%
Business applications	174.5	116.1	78.6	58.4	50%	37.5	48%
Total revenue	\$ 1,607.3	\$ 1,387.3	\$ 1,130.8	\$ 220.0	16%	\$ 256.5	23%

As a result of the Merger, and to a lesser extent the other business acquisitions we have completed since the Merger, we were required by GAAP to record all assets and liabilities, including deferred revenue, prepaid domain name registry fees and long-lived assets, at fair value, which in some cases was different than historical book values. Recording deferred revenue at fair value in purchase accounting had the effect of reducing acquired deferred revenue and thereby reducing the recognition of revenue in subsequent periods as compared to the amounts we would have otherwise recognized. To the extent our customers renew their contracts, the full amount of renewal revenue will be recognized in future periods.

The impact on revenue related to purchase accounting limits the comparability of our revenue between periods. The following table reflects the impact of purchase accounting to our total revenue during the years ended December 31, 2015, 2014 and 2013 :

	Year Ended December 31,		
	2015	2014	2013
Impact of purchase accounting:	(unaudited)		
Total revenue	\$ 1,607.3	\$ 1,387.3	\$ 1,130.8
Impact of purchase accounting on revenue	8.5	18.7	43.3
Total revenue excluding impact of purchase accounting ⁽¹⁾	\$ 1,615.8	\$ 1,406.0	\$ 1,174.1

(1) This amount represents the amount of revenue we would have recognized if not for the impact of purchase accounting.

2015 compared to 2014

Total revenue increased \$220.0 million, or 15.9%, from \$1,387.3 million in 2014 to \$1,607.3 million in 2015. The increase was primarily driven by growth in total customers and ARPU. Total customers increased 1.1 million, or 8.7%, from 12.7 million as of December 31, 2014 to 13.8 million as of December 31, 2015. The increase in customers impacted each of our revenue lines, as the additional customers purchased subscriptions across our product portfolio.

Domains. Domains revenue increased \$77.5 million, or 10.2%, from \$763.3 million in 2014 to \$840.8 million in 2015. The increase was primarily attributable to a \$54.6 million increase in revenue from domain registrations and renewals and a \$19.6 million increase in revenue from aftermarket domain sales. Domains under management increased 4.6% from 58.9 million as of December 31, 2014 to 61.6 million as of December 31, 2015.

Hosting and presence. Hosting and presence revenue increased \$84.1 million, or 16.6%, from \$507.9 million in 2014 to \$592.0 million in 2015. The increase was primarily attributable to a \$47.0 million increase in revenue from our website hosting and website building products and a \$22.4 million increase in revenue from sales of our security products.

Business applications. Business applications revenue increased \$58.4 million, or 50.3%, from \$116.1 million in 2014 to \$174.5 million in 2015. These increases were primarily driven by our offering of expanded email and productivity solutions and increased customer adoption of our business applications products.

2014 compared to 2013

Total revenue increased \$256.5 million, or 22.7%, from \$1,130.8 million in 2013 to \$1,387.3 million in 2014. The increase primarily resulted from a \$179.4 million increase in total revenue from new and existing customers, \$52.4 million of

incremental revenue from businesses acquired in the fourth quarter of 2013 and a \$24.6 million reduction in the impact of purchase accounting. Total customers increased 1.1 million , or 9.7% , from 11.6 million as of December 31, 2013 to 12.7 million as of December 31, 2014 .

Domains . Domains revenue increased \$91.7 million , or 13.7% , from \$671.6 million in 2013 to \$763.3 million in 2014 . The increase primarily resulted from a \$73.2 million increase in revenue from new and existing customers, \$10.3 million of incremental revenue from businesses acquired in the fourth quarter of 2013 and an \$8.2 million reduction in the impact of purchase accounting. Domains under management increased 2.0 million , or 3.5% , from 56.9 million as of December 31, 2013 to 58.9 million as of December 31, 2014 .

Hosting and presence . Hosting and presence revenue increased \$127.3 million , or 33.4% , from \$380.6 million in 2013 to \$507.9 million in 2014 . The increase primarily resulted from a \$72.8 million increase in revenue from new and existing customers, \$41.1 million of incremental revenue from businesses acquired in the fourth quarter of 2013 and a \$13.3 million reduction in the impact of purchase accounting.

Business applications . Business applications revenue increased \$37.5 million , or 47.7% , from \$78.6 million in 2013 to \$116.1 million in 2014 . The increase primarily resulted from a \$33.4 million increase in revenue from new and existing customers, a \$3.1 million reduction in the impact of purchase accounting and \$1.0 million of incremental revenue from businesses acquired in the fourth quarter of 2013 .

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 and to ICANN, payment processing fees and third-party commissions. Similar to our billing practices, we pay domain costs at the time of purchase for the life of each customer subscription, but recognize the costs of service ratably over the term of our customer contracts. The terms of registry pricing are established by agreements between registries and registrars, and can vary significantly depending on the TLD. We expect cost of revenue to increase in absolute dollars in future periods as we expand our domains business and customer base. 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.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Cost of revenue	\$ 565.9	\$ 518.4	\$ 473.9	\$ 47.5	9%	\$ 44.5	9%

2015 compared to 2014 . Cost of revenue increased \$47.5 million , or 9.2% , from \$518.4 million in 2014 to \$565.9 million in 2015 . This increase was primarily attributable to a \$25.4 million increase in domain registration costs driven by the 4.6% increase in domains under management as well as higher costs associated with new gTLD registrations, a \$12.1 million increase in software licensing fees primarily related to increased sales of our email and productivity solutions and a \$5.1 million increase in payment processing fees due to the overall bookings increase.

2014 compared to 2013 . Cost of revenue increased \$44.5 million , or 9.4% , from \$473.9 million in 2013 to \$518.4 million in 2014 . This increase was primarily attributable to a \$32.5 million increase in domain registration costs as a result of a 3.5% increase in domains under management, a \$6.1 million increase in payment processing fees due to the overall bookings increase and a \$5.4 million increase in third-party commissions, primarily attributable to our Afternic business acquired in the fourth quarter of 2013 .

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 geographically diversify our data center footprint. 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 expansion of our global infrastructure footprint. Our investments in additional technology and development expenses are made to enhance our integrated technology infrastructure and support our new and enhanced product offerings, international expansion and the overall growth of our business.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Technology and development	\$ 270.2	\$ 250.8	\$ 206.0	\$ 19.4	8%	\$ 44.8	22%

2015 compared to 2014. Technology and development expenses increased \$19.4 million, or 7.7%, from \$250.8 million in 2014 to \$270.2 million in 2015. The increase was primarily attributable to an \$13.7 million increase in compensation-related costs for our technology and development employees (including a \$7.8 million increase in equity-based compensation), a \$2.7 million increase in data center rent related to the continued growth of our business and a \$2.1 million increase in technology-related professional fees to support our internal development team and expedite delivery of product enhancements to our customers.

2014 compared to 2013. Technology and development expenses increased \$44.8 million, or 21.7%, from \$206.0 million in 2013 to \$250.8 million in 2014. The increase was primarily attributable to an \$18.9 million increase in compensation costs driven primarily by employee headcount increases during the second half of 2013, of which \$6.4 million relates to our Media Temple business acquired in the fourth quarter of 2013 and \$5.7 million relates to an increase in equity-based compensation expense. The remaining increase was primarily due to an \$11.2 million increase in data center rent, of which \$8.7 million relates to our Media Temple business, and a \$9.6 million increase in technology-related professional fees to support our internal development team and expedite delivery of product enhancements to our customers.

Marketing and advertising

Marketing and advertising expense represent the costs associated with attracting and acquiring customers, primarily consisting of fees paid to third parties for marketing and advertising campaigns across television and radio, search engines, online display, social media and spokesperson and event sponsorships. 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 the size and scope of our future campaigns, particularly related to the size and scope of our new product introductions and the growth of our international operations.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Marketing and advertising	\$ 202.2	\$ 164.7	\$ 145.5	\$ 37.5	23%	\$ 19.2	13%

2015 compared to 2014. Marketing and advertising expenses increased \$37.5 million, or 22.8%, from \$164.7 million in 2014 to \$202.2 million in 2015. The increase was due to a \$36.4 million increase in discretionary advertising spend driven by our international expansion.

2014 compared to 2013. Marketing and advertising expenses increased \$19.2 million, or 13.2%, from \$145.5 million in 2013 to \$164.7 million in 2014. The increase was primarily attributable to a \$15.8 million increase in discretionary brand development costs, of which \$2.8 million is related to our Media Temple business, and a \$3.4 million increase in compensation costs primarily driven by a 4.2% increase in employee headcount and an additional \$3.2 million of equity-based compensation expense resulting from the modification of certain options.

Customer Care

Customer Care expense represents the costs to advise our customers and service their needs, 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.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Customer care	\$ 221.5	\$ 190.5	\$ 150.9	\$ 31.0	16%	\$ 39.6	26%

2015 compared to 2014. Customer care expenses increased \$31.0 million, or 16.3%, from \$190.5 million in 2014 to \$221.5 million in 2015. The increase was primarily due to a \$28.5 million increase in compensation-related costs, primarily driven by increased average headcount, as well as \$2.5 million of incremental costs associated with the continued expansion of our international third-party Customer Care locations.

2014 compared to 2013. Customer care expenses increased \$39.6 million, or 26.2%, from \$150.9 million in 2013 to \$190.5 million in 2014. The increase was primarily due to a \$34.8 million increase in compensation-related costs primarily attributable to an 11.5% increase in employee headcount, of which \$5.8 million is related to our Media Temple business, as well as \$4.8 million of incremental costs associated with the expansion of our international third-party Customer Care locations.

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, sponsor-based costs 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 increased expenses associated with being a public company.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
General and administrative	\$ 219.7	\$ 172.0	\$ 145.8	\$ 47.7	28%	\$ 26.2	18%

2015 compared to 2014. In 2015, general and administrative expenses include \$29.7 million of additional expenses related to certain payments made following the completion of the IPO, including \$26.7 million paid to the Sponsors in connection with the termination of the transaction and monitoring fee agreement and \$3.0 million paid to Bob Parsons in connection with the termination of the executive chairman services agreement. Following these payments, we are no longer obligated to make future payments under either of these agreements.

General and administrative expenses increased \$47.7 million, or 27.7%, from \$172.0 million in 2014 to \$219.7 million in 2015. Excluding the termination payments discussed above, general and administrative expenses increased \$18.0 million, or 10.5%, from \$172.0 million in 2014 to \$190.0 million in 2015, primarily due to an \$11.3 million increase in legal and professional fees resulting from the resolution of outstanding claims and a \$7.0 million increase in compensation-related costs driven by increased average headcount.

2014 compared to 2013. General and administrative expenses increased \$26.2 million, or 18.0%, from \$145.8 million in 2013 to \$172.0 million in 2014. The increase was primarily due to a \$25.4 million increase in compensation-related costs, primarily driven by employee headcount increases during the second half of 2013 (including the addition of certain executives, retention bonuses, \$4.7 million related to our Media Temple business and an increase of \$4.3 million in equity-based compensation expense). The remaining increase was primarily due to a \$7.7 million increase in travel and corporate functions and a \$6.6 million increase in office rent related to the expansion of our facilities, as well as increases in other general expenses associated with the overall growth of our business. These increases were partially offset by a \$13.8 million decrease related to sales tax reserves primarily recorded in the fourth quarter of 2013 and a \$5.4 million decrease in professional service fees resulting primarily from a favorable settlement agreement reached in December 2014 with an insurance carrier.

Depreciation and amortization

Depreciation and amortization expenses consist of charges relating to the depreciation of the property and equipment used in our business and the amortization of acquired intangible assets, particularly those resulting from the Merger. 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.

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Depreciation and amortization	\$ 158.8	\$ 152.8	\$ 140.6	\$ 6.0	4%	\$ 12.2	9%

2015 compared to 2014. There were no material changes in depreciation and amortization expense.

2014 compared to 2013. Depreciation and amortization expense increased \$12.2 million, or 8.7%, from \$140.6 million in 2013 to \$152.8 million in 2014. The increase results from a \$6.8 million increase in amortization of intangible assets, primarily from acquisitions completed in the second half of 2013, and a \$5.4 million increase in depreciation expense related to additional property and equipment from capital expenditures and assets assumed in acquisitions.

Interest expense

	Year Ended December 31,			2015 to 2014		2014 to 2013	
	2015	2014	2013	\$ change	% change	\$ change	% change
Interest expense	\$ 69.2	\$ 85.0	\$ 71.0	\$ (15.8)	(19)%	\$ 14.0	20%

2015 compared to 2014. Interest expense decreased \$15.8 million, or 18.6%, from \$85.0 million in 2014 to \$69.2 million in 2015, primarily driven by interest savings resulting from our repayment of the \$300.0 million senior note to Holdings in April 2015, partially offset by increased borrowings from the May 2014 refinancing of our term loan.

2014 compared to 2013. Interest expense increased \$14.0 million, or 19.7%, from \$71.0 million in 2013 to \$85.0 million in 2014. The increase was primarily driven by an increase in our outstanding long-term debt from \$1,132.8 million as of December 31, 2013 to \$1,469.5 million as of December 31, 2014, partially offset by amendments to our long-term debt agreements during 2013 and 2014, which lowered our average effective interest rate to 5.2% as of December 31, 2014.

Loss on debt extinguishment

In April 2015, we recognized a \$21.4 million loss on debt extinguishment as a result of the repayment of the senior note to Holdings, which consisted of a prepayment premium of \$13.5 million and the write-off of \$7.1 million of unamortized original issue discount and \$0.8 million of deferred debt issuance costs.

Liquidity and Capital Resources*Overview*

Other than the receipt of proceeds from our IPO in April 2015, our principal sources of liquidity have been cash flow generated from operations and long-term debt borrowings. Our principal uses of cash have been to fund operations, acquisitions and capital expenditures, as well as make distributions to holders of LLC Units, interest payments and mandatory principal payments on our long-term debt.

On April 7, 2015, we completed our IPO and sold 26.0 million shares of Class A common stock at a public offering price of \$20.00 per share, receiving \$491.8 million in proceeds, net of underwriting discounts and commissions. We incurred \$11.2 million of legal, accounting, printing and other professional fees related to the IPO, which were charged against additional paid-in capital upon completion of the IPO. We used the net proceeds to:

- make a final aggregate payment of \$26.7 million to the Sponsors upon the termination of the transaction and monitoring fee agreement;
- make a payment of \$3.0 million to Bob Parsons upon the termination of the executive chairman services agreement;

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- make a payment totaling \$316.0 million to repay the senior note to Holdings;
- make a payment of \$75.0 million to repay all amounts drawn on our revolving credit loan; and
- make a payment of \$28.1 million to complete an acquisition.

We retained the remaining proceeds for general corporate purposes, which included working capital needs, sales and marketing activities, solution and platform development, general and administrative activities and capital expenditures.

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 that point in time. Therefore, while cash generated 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 business operations, we use a variety of capital sources to fund our needs for less predictable investment decisions such as acquisitions.

We have incurred long-term debt, including under the Credit Facility 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. However, the restrictions under our Credit Facility are subject to a number of qualifications and exceptions and may be amended with the consent of our lenders.

We believe our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months. 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 and the completion of strategic acquisitions.

Credit Facility

Our Credit Facility consists of the \$1,100.0 million Term Loan maturing on May 13, 2021 and the available \$ 150.0 million Revolving Credit Loan maturing on May 13, 2019, as described in Note 9 to our consolidated 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 Loan is required to be repaid in quarterly installments of 0.25% of the original principal, with the remaining balance due at maturity. The Term Loan 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 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, make certain intercompany distributions and engage in operations other than in connection with acting as a holding company, subject to customary exceptions. The Revolving Credit Loan also contains a financial covenant requiring us to maintain a maximum net leverage ratio of 7.25:1.00 at all times our usage exceeds 30.0 % of the maximum capacity. The net leverage ratio is calculated as the ratio of first lien secured debt less cash and cash equivalents to consolidated EBITDA (as defined in the Credit Facility). As of December 31, 2015 , we were in compliance with all such covenants and we had no amounts drawn on the Revolving Credit Loan.

Senior Note

As described above and in Note 9 to our consolidated financial statements, in April 2015 , we repaid the senior note to Holdings in full. The senior note was canceled following this repayment.

Tax Receivable Agreements

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

During 2015, we recorded \$151.6 million as a liability due to the Reorganization Parties under the TRAs, which is the amount we currently deem is probable and estimable, all of which is classified as long-term as of December 31, 2015. We may record additional liabilities under the TRAs when LLC Units are exchanged in the future and as our estimates of the utilization of the tax attributes, NOLs and other tax benefits change in the future. We expect to make payments under the TRAs, to the extent they are required, within 150 days after our 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. We do not expect to make any payments related to the existing liability under the TRAs until at least 2017. See "Contractual Obligations" for additional information regarding tax payments.

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 (although a rate equal to one year LIBOR plus 100 basis points will apply if the inability to make payments under the TRAs is due to limitations imposed on us or any of our subsidiaries by a debt agreement in effect at the date of our IPO).

Tax Distributions to Desert Newco's Owners

Tax distributions are required under the terms of the New LLC Agreement. Any required payments are calculated each quarter based on a number of variables, including Desert Newco's taxable income or loss, allocations of taxable income among Desert Newco's owners based on principles detailed within the Treasury Regulations, tax deductions for stock option exercises and vested RSUs and changing ownership percentages among Desert Newco's owners. As of December 31, 2015, we have accrued \$5.3 million for tax distributions related to estimated taxable income allocations to Desert Newco's owners for 2015, which will be paid in March 2016. This accrued amount will be paid based on ownership as of the payment date and is estimated as follows: \$2.1 million to Holdings, \$1.1 million to KKR, \$1.1 million to SLP, \$0.6 million to TCV and \$0.4 million to other Desert Newco owners. See "Contractual Obligations" for additional information regarding tax payments.

Cash Flows

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

	Year Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$ 259.4	\$ 180.6	\$ 153.3
Net cash used in investing activities	(145.9)	(107.3)	(208.5)
Net cash provided by (used in) financing activities	95.7	(29.7)	91.1
Effect of exchange rate changes on cash and cash equivalents	(0.2)	—	—
Net increase in cash and cash equivalents	<u>\$ 209.0</u>	<u>\$ 43.6</u>	<u>\$ 35.9</u>

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.

Net cash provided by operating activities increased \$78.8 million from \$180.6 million during 2014 to \$259.4 million during 2015, which includes \$29.7 million of payments made in connection with the termination of certain agreements with the Sponsors and Bob Parsons following the completion of the IPO. This increase was primarily due to a \$30.9 million improvement in our operating loss, a \$16.3 million decrease in interest payments resulting from the repayment of debt following the IPO and the payment in 2014 of \$17.2 million for prior period sales taxes.

Net cash provided by operating activities increased \$27.3 million from \$153.3 million during 2013 to \$180.6 million during 2014, primarily due to a \$70.0 million improvement in our operating loss, partially offset by a \$56.4 million decrease in cash resulting from net changes in working capital. The primary drivers of the decrease in net changes from working capital were the payment of \$17.2 million for prior period sales taxes in 2014 and increased payroll, employee benefit and operating expense payments as a result of the growth in our business. Sales tax payments were made in jurisdictions in which we determined we have nexus based on evolving tax regulations for periods before we began collecting sales taxes from customers. In July 2014, we began collecting sales taxes at the time of sale from customers residing in jurisdictions in which we have nexus.

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 in our business. 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 increased \$38.6 million from \$107.3 million during 2014 to \$145.9 million during 2015. This increase was primarily due to a \$25.5 million increase in cash paid for business acquisitions and \$23.5 million in purchases of intangible assets, partially offset by a \$13.1 million decrease in capital expenditures.

Net cash used in investing activities decreased \$101.2 million from \$208.5 million during 2013 to \$107.3 million during 2014, primarily due to a \$116.1 million decrease in cash paid for business acquisitions, partially offset by a \$15.8 million increase in capital expenditures.

Financing Activities

Our financing activities primarily consist of the receipt of proceeds from the IPO and from the issuance of long-term debt, payment of IPO costs, the repayment of principal on long-term debt and stock option activity.

Net cash from financing activities increased \$125.4 million from \$29.7 million used in financing activities during 2014 to \$95.7 million provided by financing activities during 2015. This increase was primarily due to the receipt of net IPO proceeds of \$482.4 million in 2015 and distributions of \$349.0 million paid to Desert Newco's unit and option holders in 2014. The increase was partially offset by additional repayments of long-term debt of \$378.4 million (primarily from debt repayments made with our IPO proceeds) and long-term debt borrowings of \$338.8 million in 2014.

Net cash from financing activities decreased \$120.8 million from cash provided by financing activities of \$91.1 million during 2013 to cash used in financing activities of \$29.7 million during 2014, primarily as a result of distributions of \$349.0 million paid to Desert Newco's unit and options holders in 2014, partially offset by increased long-term debt borrowings of \$238.8 million resulting from amendments to our credit facility.

Deferred Revenue

Deferred revenue consists of sales of our products not yet recognized as revenue at the end of a period. Our deferred revenue as of December 31, 2015 was \$1,416.2 million, and is expected to be recognized as revenue as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
Domains	\$ 497.2	\$ 138.4	\$ 61.5	\$ 36.8	\$ 21.2	\$ 30.6	\$ 785.7
Hosting and presence	330.8	93.4	35.6	11.6	4.7	4.4	480.5
Business applications	109.7	24.7	8.1	3.8	1.8	1.9	150.0
	<u>\$ 937.7</u>	<u>\$ 256.5</u>	<u>\$ 105.2</u>	<u>\$ 52.2</u>	<u>\$ 27.7</u>	<u>\$ 36.9</u>	<u>\$ 1,416.2</u>

Contractual Obligations

The following table summarizes our material contractual obligations and commitments as of December 31, 2015 :

	Payments due by period			
	1 year	2-3 years	4-5 years	5+ years
Long-term debt, including current maturities ⁽¹⁾	\$ 11.0	\$ 22.0	\$ 22.0	\$ 1,028.5
Interest on long-term debt ⁽²⁾	46.6	91.6	89.8	16.1
Lease financing obligation ⁽³⁾	3.2	6.4	6.7	15.7
Operating leases ⁽⁴⁾	40.1	36.2	18.1	34.8
Capital leases ⁽⁵⁾	12.4	4.8	—	—
Service agreements ⁽⁶⁾	10.9	3.3	—	—
Marketing agreements ⁽⁷⁾	20.4	—	—	—
TRA payments ⁽⁸⁾	—	14.9	30.1	106.6
Tax distributions to Desert Newco's owners ⁽⁹⁾	5.3	(9)	(9)	(9)

(1) See Note 9 to our consolidated financial statements for information regarding the terms of our long-term debt agreements.

(2) Interest on long-term debt excludes the amortization of deferred debt issuance costs and original issue discounts.

(3) We lease office space in Tempe, Arizona under which we occupy the total available space. See Note 10 to our consolidated financial statements for information regarding the terms of our lease financing obligation.

(4) We lease office space, data center space (including commitments for specified levels of power) and vehicles under operating leases expiring at various dates through September 2026.

(5) We lease certain computer equipment under capital leases. The capital lease payments included in the table above include the amounts representing interest.

(6) We have long-term agreements with certain vendors to provide for software and equipment maintenance, specified levels of bandwidth and other services.

(7) We have contractual commitments requiring future payments under certain marketing agreements.

(8) Reflects the estimated timing of TRA payments as of December 31, 2015. Such payments could be due later than estimated depending on the timing of our use of the underlying tax attributes. As of December 31, 2015, we have recorded a liability of \$151.6 million payable to the Reorganization Parties under the TRAs, reflecting limitations on the use of the favorable tax attributes due to limitations of taxable income. The estimated amounts payable under the TRAs do not consider any future exchanges of LLC Units. Such future exchanges will have a material impact on our liabilities under the TRAs. See "Risk Factors-Risks Related to Our Company and Our Organizational Structure" and Note 12 to our audited consolidated financial statements for additional information regarding our liability under the TRAs.

(9) Tax distributions are required under the terms of the New LLC Agreement. As of December 31, 2015, we have accrued \$5.3 million for tax distributions related to estimated taxable income allocations to Desert Newco's owners for 2015, which will be paid in March 2016. This accrued amount will be paid based on ownership as of the payment date and is estimated to be as follows: \$2.1 million to Holdings, \$1.1 million to KKR, \$1.1 million to SLP, \$0.6 million to TCV and \$0.4 million to other Desert Newco owners. Tax distributions beyond 2015 have not been included in the above table due to the uncertainty of whether or not such distributions will be required and our inability to estimate the amounts we will be required to pay in those future periods. See Note 12 to our audited consolidated financial statements for additional information regarding tax distributions.

Off-Balance Sheet Arrangements

As of December 31, 2015 and 2014, 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 have to 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 consolidated 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 further below. We review our critical accounting policies and estimates with the audit committee of our board of directors on an annual basis.

See Note 2 to our consolidated financial statements for a summary of our significant accounting policies.

Revenue Recognition

We recognize revenue over the period during which products or services are delivered to the customer. Customers are billed for products, generally in advance, based on their selected contract term duration. For all customers, regardless of the method we use to bill them, cash received in advance of the provision of products is recorded as deferred revenue.

We may sell multiple products to customers at the same time. For example, we may design a customer website and separately offer other products such as hosting and an online shopping cart, or a customer may combine a domain registration with other products such as private registration or email. Revenue arrangements with multiple deliverables are divided into separate units of accounting if each deliverable has stand-alone value to the customer. The majority of our revenue arrangements consist of multiple-element arrangements, with revenue for each unit of accounting recognized as the product or service is delivered to the customer.

Consideration is allocated to each deliverable at the inception of an arrangement based on relative selling prices. We determine the relative selling price for each deliverable based on our vendor-specific objective evidence of selling price (VSOE), if available, or our best estimate of selling price (BESP), if VSOE is not available. We establish VSOE for certain of our products when a consistent number of stand-alone sales of these products have been priced within a reasonably narrow range. We are unable to establish VSOE when we lack pricing consistency, primarily related to our marketing strategies and variability in pricing due to promotional activity.

Our process for determining BESP requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable. For products where VSOE is not available, we determined BESP by considering our overall pricing objectives and market conditions. Significant factors taken into consideration include historical and expected discounting practices, the size, volume and term length of transactions, customer demographics, the geographic areas in which our products are sold and our overall go-to-market strategy.

We have determined third-party evidence of selling price (TPE) is not a practical alternative due primarily to the significant variability among available third-party pricing information for similar products and differences in the features of our product offerings compared to other parties.

We sell our products 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 whether we act as principal or agent in the transaction.

We maintain a reserve to provide for refunds granted to customers. Our reserve is an estimate based on historical refund experience. Refunds reduce deferred revenue at the time they are granted and result in a reduced amount of revenue recognized over the contract term of the applicable product compared to the amount originally expected. Our annual refund rate has ranged from 6.9% to 7.2% of total bookings from 2013 to 2015 .

See Notes 2 and 7 to our consolidated financial statements for additional information regarding revenue recognition and deferred revenue.

Equity-Based Compensation

Our equity-based awards are comprised primarily of options. We grant options at exercise prices equal to the fair market value of our Class A common stock as reported on the NYSE on the date of grant. We measure and recognize compensation expense for equity-based awards made to employees, service providers and directors based on the grant date fair values of the awards. For awards with service or performance-based vesting conditions, the grant date fair value is estimated using the Black-Scholes option-pricing model, which requires management to make assumptions and apply judgment in determining the grant date fair value of equity-based awards.

The most significant assumptions and judgments include estimating the expected term of awards, the expected volatility of our Class A common stock, the risk-free interest rates and the expected dividend yield of our Class A common stock. The assumptions used in our option pricing model represent management's best estimates. If factors change and different assumptions are used, our equity-based compensation expense could be materially different in the future.

In addition to the above assumptions, we also estimate a forfeiture rate for our awards, which is based on an analysis of our historical forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on our actual forfeiture experience, analysis of employee turnover and other factors. Changes in our estimated forfeiture rate can have a significant impact on our equity-based compensation expense since the cumulative effect of adjusting the forfeiture rate is recognized in the period in which the estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made resulting in a decrease to the equity-based compensation expense previously recognized. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made resulting in an increase to the equity-based compensation expense previously recognized.

On a quarterly basis, we estimate when and if performance-based awards will be earned. Equity-based compensation expense is recognized only for awards considered probable of being earned. The grant date fair value of each award ultimately expected to vest is recognized as equity-based compensation expense, net of estimated forfeitures, over the requisite service period.

We will continue to use judgment in evaluating the assumptions related to our equity-based awards on a prospective basis. As we continue to accumulate additional data related to our awards, we may refine our estimates, which could materially impact our future equity-based compensation expense.

See Notes 2 and 6 to our consolidated financial statements for additional information regarding equity-based compensation.

Business Combinations

We have made and may continue to make business acquisitions. We include the results of operations of acquired businesses in our consolidated financial statements as of the respective dates of acquisition. The purchase price of acquisitions, including estimates of the fair value of contingent consideration when applicable, is allocated to the tangible and intangible assets acquired and the liabilities assumed, including deferred revenue, based on their estimated fair values on the respective acquisition dates, with the excess recorded as goodwill. Contingent consideration is then adjusted to fair value in subsequent periods as an increase or decrease in general and administrative expenses. Acquisition related costs are expensed as incurred.

See Notes 2 and 3 to our consolidated financial statements for additional information regarding business combinations.

Goodwill and Indefinite-Lived Intangible Assets

We annually assess our goodwill and indefinite-lived intangible assets for impairment during the fourth quarter. We will also perform an assessment at other times if events or changes in circumstances indicate the carrying value of these assets may not be recoverable.

We first make a qualitative assessment of whether it is more-likely-than-not our single reporting unit's fair value is less than its carrying value to determine whether it is necessary to perform the two-step impairment test. The qualitative assessment includes considering various factors including macroeconomic conditions, industry and market conditions and our historical and projected operating results. We are only required to perform the two-step impairment test if our qualitative assessment determines

our single reporting unit's fair value is not greater than its carrying value. We may elect to perform the two-step impairment test without considering such qualitative factors.

Our qualitative analyses during 2015, 2014 and 2013 did not indicate any impairment of our goodwill and indefinite-lived intangible assets, and accordingly, no impairment was recorded. As of December 31, 2015, we believe such assets are recoverable; however, there can be no assurances these assets will not be impaired in future periods. Any future impairment charges could adversely impact our consolidated results of operations.

See Notes 2 and 4 to our consolidated financial statements for additional information regarding goodwill and indefinite-lived intangible assets.

Income Taxes

We are subject to U.S. federal and state income taxes. In addition, we may be subject to taxes in the foreign jurisdictions in which we operate. We are a controlling member in Desert Newco, which has been, and will continue to be, treated as a partnership for U.S. income tax purposes. Under these provisions, Desert Newco is considered a pass-through entity and generally does not pay income taxes on its taxable income in most jurisdictions. Instead, Desert Newco's members, of which we are one, are liable for U.S. federal and state income taxes based on their taxable income. Desert Newco is liable for income taxes in certain foreign jurisdictions, in those states not recognizing its pass-through status and for certain subsidiaries not taxed as pass-through entities. We have acquired the outstanding stock of various entities taxed as corporations, which are now wholly-owned by us or our subsidiaries and are treated as a consolidated group for federal income tax purposes. Where required or allowed, these subsidiaries also file as a consolidated group for state income tax purposes.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statements and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period in which the enactment date occurs.

We recognize deferred tax assets to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

We recognize tax benefits from uncertain tax positions only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized from such positions are measured based on the largest benefit having a greater than 50% likelihood of being realized upon ultimate settlement.

See Notes 2 and 12 to our consolidated financial statements for additional information regarding income taxes.

Payable to Related Parties Pursuant to the TRAs

Concurrent with the completion of the IPO, we became a party to five TRAs. Under four of the TRAs, we generally will be required to pay to each Reorganization Party approximately 85% of the amount of calculated tax savings, if any, we are deemed to realize as a result of (1) any existing tax attributes of LLC Units acquired in the applicable Investor Corp Merger, (2) NOLs available as a result of the applicable Investor Corp Merger and (3) tax benefits related to imputed interest. The other TRA requires us to pay our pre-IPO owners approximately 85% of the amount of the calculated tax savings, if any, we are deemed to realize from exchanges of LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock.

When LLC Units are exchanged, we receive certain tax attributes, including the original basis adjustments (the OBAs) created from the original acquisition of the LLC Units plus any anticipated basis adjustments. The OBAs entitle us to the depreciation and amortization previously allocable to the original owner of such units. The anticipated basis adjustments will increase, for tax purposes, our depreciation and amortization deductions. To the extent these deductions are used to reduce our taxable income, thereby resulting in actual tax savings, we will be required to pay the original owners approximately 85% of such

savings, which is recorded as an additional liability under the TRAs. This increase in tax basis also creates additional deferred tax assets and may also decrease gains, or increase losses, on future dispositions of certain assets to the extent tax basis is allocated to those assets.

For purposes of calculating the income tax savings we are deemed to realize under the TRAs, we will calculate the U.S. federal income tax savings using the actual applicable U.S. federal income tax rate and will calculate the state and local income tax savings using 5% for the assumed combined state and local tax rate, which represents an approximation of our combined state and local income tax rate, net of federal income tax benefits.

The term of the TRAs commenced upon the completion of our IPO and will continue until all such tax benefits have been utilized or expire, unless we exercise our rights to terminate the agreements or payments under the agreements are accelerated in the event we materially breach any of our material obligations under the agreements.

In the Investor Corp Mergers, we received certain tax attributes, including the OBAs and NOL carryforwards, from the Reorganization Parties. These OBAs entitle us to the depreciation and amortization previously allocable to the Reorganization Parties. These deductions are allowed prior to the utilization of any NOL or tax credit carryforwards against income taxes.

Based on current projections of taxable income, and before deduction of any specially allocated depreciation and amortization, we anticipate having enough taxable income to utilize a portion of these specially allocated deductions related to the OBAs. Accordingly, during the second quarter of 2015, we initially recorded a liability of \$170.4 million payable to the Reorganization Parties under the TRAs. During the third quarter of 2015, we increased this liability to \$170.9 million, with the \$0.5 million charge recorded as an increase in general and administrative expenses. During the fourth quarter of 2015, we corrected an immaterial error in the determination of the liability we currently deem probable under the TRAs and reduced this liability to \$151.6 million as of December 31, 2015, with \$18.8 million recorded as an increase to additional paid-in capital and \$0.5 million recorded as a reduction in general and administrative expenses.

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. Because we anticipate these additional depreciation and amortization deductions being greater than our taxable income, the excess deductions allocated to us will increase the amount of our NOL carryforwards. We have determined we will be unable to utilize all of our deferred tax assets; therefore, we have not recorded a liability under the TRAs related to the tax savings we may realize from the utilization of NOL carryforwards. If utilization of these NOL carryforwards becomes more-likely-than-not in the future, at such time, we will record a liability under the TRAs of up to an additional \$112.4 million related to the tax attributes received in the Investor Corp Mergers, which will be recorded as a charge to our consolidated statement of operations. Additionally, 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 consolidated statement of operations.

See Notes 2 and 12 to our consolidated financial statements for additional information regarding the payable to related parties pursuant to the TRAs.

The TRAs are subject to a number of risks and uncertainties. For a description of these risks, see "Risk Factors—Risks Related to Our Company and Our Organizational Structure."

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 United States 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 subject to change. We may be audited in the future, which could result in changes to our indirect tax estimates.

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As of December 31, 2015, our accrual for estimated indirect tax liabilities was \$7.1 million, reflecting our best estimate of the probable liability, based on an analysis of our business activities, revenues subject to indirect taxes and applicable regulations in the jurisdictions in which we conduct business. We continually evaluate those jurisdictions in which nexus exists and believe our accrual for estimated indirect tax liabilities is reasonable; however, the final determination of indirect tax audits and any related litigation could be materially different than the amounts we have established for indirect tax contingencies. Due to the complexity and uncertainty surrounding indirect tax laws, we believe it is reasonably possible we have incurred additional losses related to indirect taxes; however, we are not able to estimate a range of the loss at this time.

See Note 10 to our consolidated financial statements for additional information regarding indirect taxes.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising from uncertain and unresolved matters in the ordinary course of business and from events or actions by others having the potential to result in a future loss. Such contingencies may include, but are not limited to, intellectual property claims, labor and employment claims, breach of contract claims, regulatory proceedings, product service level commitments and losses resulting from other events and developments. We consider the likelihood of loss, the impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties impacting the ultimate resolution of the contingency. It is also not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

Disclosure is also provided when it is reasonably possible a loss will be incurred, or when it is reasonably possible the amount of a loss will exceed the recorded amounts. We regularly review all contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. As discussed above, development of a meaningful estimate of loss, or a range of potential loss, is complex when the outcome is directly dependent on negotiations with, or decisions by, third parties such as regulatory agencies, court systems in various jurisdictions and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

See Note 10 to our consolidated financial statements for additional information regarding loss contingencies.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements for information regarding recent accounting pronouncements.

Part IV.

Item 15. Exhibits, Financial Statement Schedules

Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Reorganization Agreement dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	2.1	4/6/2015
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-36904	3.1	4/6/2015
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-36904	3.2	4/6/2015
4.1	Form of common stock certificate of the Registrant	S-1/A	333-196615	4.1	3/19/2015
4.2 +	GoDaddy Inc. 2015 Equity Incentive Plan, and form of agreements thereunder	S-8	333-203166	4.2	4/1/2015
4.3 +	GoDaddy Inc. 2015 Employee Stock Purchase Plan	S-8	333-203166	4.3	4/1/2015
4.4 +	Desert Newco, LLC 2011 Unit Incentive Plan, as amended, and form of agreements thereunder	S-8	333-203166	4.4	4/1/2015
4.5 +	Locu, Inc. Amended and Restated 2011 Equity Incentive Plan, and form of agreements thereunder	S-1/A	333-196615	10.10	2/13/2015
4.6 +	Bootstrap, Inc. 2008 Stock Plan, and form of agreements thereunder	S-1/A	333-196615	10.11	2/13/2015
4.7 +	The Go Daddy Group, Inc. 2006 Equity Incentive Plan	S-1/A	333-196615	10.28	3/19/2015
10.1	Third Amended and Restated Limited Liability Company Agreement of Desert Newco, LLC, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.1	4/6/2015
10.2	Exchange Agreement, dated as of March 31, 2015, by and among Desert Newco, LLC, GoDaddy Inc. and the other parties named therein	8-K	001-36904	10.2	4/6/2015
10.3	Amended and Restated Registration Rights Agreement, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco, LLC and the other parties named therein	8-K	001-36904	10.3	4/6/2015
10.4	Stockholder Agreement, dated as of March 31, 2015, by and among GoDaddy Inc., Desert Newco and the other parties named therein	8-K	001-36904	10.4	4/6/2015
10.5	Tax Receivable Agreement (Exchanges) dated as of March 31, 2015, by and among GoDaddy Inc. and the persons named therein	8-K	001-36904	10.5	4/6/2015
10.6	Tax Receivable Agreement (KKR Co-Invest Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and GDG Co-Invest Blocker L.P.	8-K	001-36904	10.6	4/6/2015
10.7	Tax Receivable Agreement (KKR Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and KKR 2006 GDG Blocker L.P.	8-K	001-36904	10.7	4/6/2015
10.8	Tax Receivable Agreement (SLP Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and SLP III Kingdom Feeder I, L.P.	8-K	001-36904	10.8	4/6/2015
10.9	Tax Receivable Agreement (TCV Reorganization) dated as of March 31, 2015, by and among GoDaddy Inc. and TCV VII (A) L.P.	8-K	001-36904	10.9	4/6/2015
10.10	Transaction and Monitoring Fee Agreement, dated December 16, 2011, by and between Go Daddy Operating Company, LLC, Kohlberg Kravis Roberts & Co. L.P., Silver Lake Management Company III, and TCV VII Management, LLC	S-1/A	333-196615	10.12	2/24/2015
10.11	Restated and Amended Executive Chairman Services Agreement, dated March 4, 2015, by and between Desert Newco, LLC and Bob Parsons	S-1/A	333-196615	10.13	3/19/2015
10.12	Amendment No. 4 to Credit Agreement, including as Annex A, the First Amended and Restated Credit Agreement, dated as of May 13, 2014, by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, Barclays Bank PLC, Deutsche Bank Securities Inc., RBC Capital Markets, KKR Capital Markets LLC, J.P. Morgan Securities LLC, Morgan Stanley Senior Funding Inc., and Citigroup Global Markets, Inc.	S-1/A	333-196615	10.14	2/13/15

EXHIBIT INDEX (continued)

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.13	Indenture, dated as of December 16, 2011, by and among Desert Newco, LLC, Go Daddy Operating Company, LLC, The Go Daddy Group, Inc. and the subsidiary guarantors party thereto, and The Bank of New York Mellon Trust Company, N.A., as trustee, as supplemented by the Supplemental Indenture dated May 13, 2014	S-1/A	333-196615	10.15	2/13/2015
10.14	Registrar Accreditation Agreement, dated July 14, 2013, by and between GoDaddy.com, LLC and Internet Corporation for Assigned Names and Numbers	S-1	333-196615	10.16	6/9/2014
10.15	.COM Registry-Registrar Agreement, dated July 5, 2012, by and between GoDaddy.com, LLC and VeriSign, Inc.	S-1	333-196615	10.17	6/9/2014
10.16	Agreement, dated as of August 1, 2014, by and between The Go Daddy Group, Inc. and Desert Newco, LLC, and certain other parties named therein	S-1/A	333-196615	10.18	8/14/2014
10.17 +	Annual Bonus Plan for 2013 and 2014	S-1/A	333-196615	10.19	2/24/2015
10.18	Form of Indemnification Agreement	S-1/A	333-196615	10.20	2/24/2015
10.19 +	Executive Incentive Compensation Plan	S-1/A	333-196615	10.22	2/24/2015
10.20 +	Employment Agreement, dated as of June 1, 2014, by and among GoDaddy.com, LLC, Desert Newco, LLC and Blake Irving	S-1/A	333-196615	10.23	2/24/2015
10.21 +	Employment Agreement, dated as of June 1, 2014, by and among GoDaddy.com, LLC, Desert Newco, LLC and Scott Wagner	S-1/A	333-196615	10.24	3/19/2015
10.22 +	Employment Agreement, dated as of June 1, 2014, by and among GoDaddy.com, LLC, Desert Newco, LLC and Arne Josefsberg	S-1/A	333-196615	10.25	2/24/2015
10.23 +	Employment Agreement, dated as of June 1, 2014, by and among GoDaddy.com, LLC, Desert Newco, LLC and Elissa Murphy	S-1/A	333-196615	10.26	2/24/2015
10.24 +	Offer Letter, dated October 8, 2014, by and between GoDaddy Inc. and Matthew B. Kelpy	S-1/A	333-196615	10.27	2/24/2015
21.1	List of subsidiaries of the Registrant	S-1	333-196615	21.1	6/9/2014
23.1	Consent of independent registered public accounting firm	10-K	001-36904	23.1	3/3/2016
24.1	Power of Attorney	10-K	001-36904	24.1	3/3/2016
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, Chief Financial Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	10-K	001-36904	23.1	3/3/2016

+ Indicates management contract or compensatory plan or arrangement.

* Filed herewith.

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

I, Blake J. Irving, certify that:

1. I have reviewed this Annual Report on Form 10-K/A 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: April 5, 2016

By: /s/ Blake J. Irving

Blake J. Irving

Chief Executive Officer

(Principal Executive Officer)

**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 Annual Report on Form 10-K/A 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: April 5, 2016

By: /s/ Scott W. Wagner

Scott W. Wagner

Chief Financial Officer and Chief Operating Officer

(Principal Financial Officer)