

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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)

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 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 October 30, 2015, there were 65,508,572 shares of GoDaddy Inc.'s Class A common stock, \$0.001 par value per share, outstanding and 90,398,474 shares of GoDaddy Inc.'s Class B common stock, \$0.001 par value per share, outstanding.

GoDaddy Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended September 30, 2015
TABLE OF CONTENTS

		Page
Note About Forward-Looking Statements		3
PART I. FINANCIAL INFORMATION		
Item 1	Financial Statements (unaudited)	4
	Condensed Consolidated Balance Sheets - September 30, 2015 and December 31, 2014	4
	Condensed Consolidated Statements of Operations - Three and Nine Months Ended September 30, 2015 and 2014	5
	Condensed Consolidated Statements of Stockholders'/Members' Equity - Nine Months Ended September 30, 2015	6
	Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2015 and 2014	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3	Quantitative and Qualitative Disclosures About Market Risk	35
Item 4	Controls and Procedures	36
PART II. OTHER INFORMATION		
Item 1	Legal Proceedings	37
Item 1A	Risk Factors	37
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3	Defaults Upon Senior Securities	37
Item 4	Mine Safety Disclosures	37
Item 5	Other Information	37
Item 6	Exhibits	37
	Signatures	38
	Exhibit Index	39

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “project,” “plan,” “expect” and similar expressions conveying uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements include, among other things, statements regarding:

- our ability to continue to add new customers and increase sales to our existing customers;
- our ability to develop new solutions and bring them to market in a timely manner;
- our ability to timely and effectively scale and adapt our existing solutions;
- our dependence on establishing and maintaining a strong brand;
- the rate of growth of, and anticipated trends and challenges in, our business and in the market for our products;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to expand internationally;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates;
- our ability to effectively manage our growth and associated investments;
- adverse consequences of our substantial level of indebtedness;
- our ability to maintain or improve our market share;
- sufficiency of cash and cash equivalents to meet our needs for at least the next 12 months;
- beliefs and objectives for future operations;
- the amount and timing of any payments we make under tax receivable agreements;

as well as other statements regarding our future operations, financial condition and prospects and business strategies. Forward-looking statements may appear throughout this report, including without limitation in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We operate in very competitive and rapidly-changing environments, and new risks emerge from time-to-time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report may not occur, and actual results could differ materially and adversely from those implied in our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Neither we, nor any other person, assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements for any reason after the date of this report to conform such statements to actual results or to changes in our expectations, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context suggests otherwise, references to GoDaddy, we, us and our refer (i) prior to the consummation of the organizational transactions described in Note 1 to our financial statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q, to Desert Newco, LLC (Desert Newco) and its consolidated subsidiaries and (ii) after the consummation of the organizational transactions, to GoDaddy Inc. and its consolidated subsidiaries, including Desert Newco.

We refer to Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, KKR), Silver Lake Partners (together with its affiliates, Silver Lake) and Technology Crossover Ventures (together with its affiliates, TCV) collectively as the Sponsors. We refer to Robert R. Parsons, our founder and a member of our board of directors, as Bob Parsons.

Part I - FINANCIAL INFORMATION**Item 1. Financial Statements**

GoDaddy Inc.
Condensed Consolidated Balance Sheets (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 327.7	\$ 139.0
Short-term investments	5.4	3.0
Accounts and other receivables	6.2	3.5
Registry deposits	21.2	17.8
Prepaid domain name registry fees	295.2	272.8
Prepaid expenses and other current assets	28.0	24.8
Total current assets	683.7	460.9
Property and equipment, net	221.5	220.9
Prepaid domain name registry fees, net of current portion	162.9	152.8
Goodwill	1,662.3	1,661.2
Intangible assets, net	728.2	749.7
Other assets	11.5	19.3
Total assets	\$ 3,470.1	\$ 3,264.8
Liabilities and stockholders'/members' equity		
Current liabilities:		
Accounts payable	\$ 28.9	\$ 31.9
Accrued expenses	142.8	114.5
Current portion of payable to related parties pursuant to tax receivable agreements	3.0	—
Current portion of deferred revenue	934.0	821.4
Current portion of long-term debt	4.8	5.0
Total current liabilities	1,113.5	972.8
Deferred revenue, net of current portion	478.5	429.2
Long-term debt, net of current portion	1,043.2	1,413.9
Payable to related parties pursuant to tax receivable agreements, net of current portion	167.9	—
Other long-term liabilities	35.8	38.5
Commitments and contingencies		
Stockholders'/members' equity:		
Members' interest	—	410.4
Preferred stock, \$0.001 par value - 50,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.001 par value - 1,000,000 shares authorized; 65,263 shares issued and outstanding as of September 30, 2015	0.1	—
Class B common stock, \$0.001 par value - 500,000 shares authorized; 90,398 shares issued and outstanding as of September 30, 2015	0.1	—
Additional paid-in capital	395.0	—
Accumulated other comprehensive income	0.9	—
Accumulated deficit	(32.3)	—
Total stockholders' equity attributable to GoDaddy Inc./members' equity	363.8	410.4
Non-controlling interests	267.4	—
Total stockholders'/members' equity	631.2	410.4
Total liabilities and stockholders'/members' equity	\$ 3,470.1	\$ 3,264.8

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Domains	\$ 215.0	\$ 194.6	\$ 622.7	\$ 564.1
Hosting and presence	150.8	131.5	436.5	369.9
Business applications	45.3	30.8	122.7	81.6
Total revenue	411.1	356.9	1,181.9	1,015.6
Costs and operating expenses ⁽¹⁾ :				
Cost of revenue (excluding depreciation and amortization)	144.0	131.7	420.9	384.6
Technology and development	67.5	62.4	202.8	187.4
Marketing and advertising	49.3	40.2	150.8	121.7
Customer care	54.8	48.9	167.2	140.6
General and administrative	44.6	41.8	167.6	127.5
Depreciation and amortization	40.6	38.5	116.4	113.0
Total costs and operating expenses	400.8	363.5	1,225.7	1,074.8
Operating income (loss)	10.3	(6.6)	(43.8)	(59.2)
Interest expense	(14.6)	(23.1)	(54.7)	(61.3)
Loss on debt extinguishment	—	—	(21.4)	—
Other income (expense), net	—	1.1	0.7	1.0
Loss before income taxes	(4.3)	(28.6)	(119.2)	(119.5)
Benefit (provision) for income taxes	(0.9)	1.0	(0.7)	3.0
Net loss	(5.2)	(27.6)	(119.9)	(116.5)
Less: net loss attributable to non-controlling interests	(2.7)	—	(44.2)	—
Net loss attributable to GoDaddy Inc.	\$ (2.5)	\$ (27.6)	\$ (75.7)	\$ (116.5)
Net loss per share of Class A common stock—basic and diluted ⁽²⁾	\$ (0.04)	\$ (0.21)	\$ (0.82)	\$ (0.91)
Weighted-average shares of Class A common stock outstanding—basic and diluted ⁽²⁾	64,999	38,826	56,153	38,826

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

Technology and development	\$ 4.4	\$ 2.7	\$ 12.5	\$ 7.2
Marketing and advertising	1.5	3.4	4.5	5.1
Customer care	0.9	0.2	2.1	0.5
General and administrative	3.2	3.1	9.4	9.4

⁽²⁾ Amounts for periods prior to our initial public offering have been retrospectively adjusted to give effect to the organizational transactions described in Note 1. The prior period amounts do not consider the 26,000 shares of Class A common stock sold in our initial public offering. See Note 11.

See accompanying notes to condensed consolidated financial statements.

GoDaddy Inc.
Condensed Consolidated Statements of Stockholders'/Members' Equity (unaudited)
(In millions, except share amounts which are reflected in thousands)

	Members' Equity	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non- Controlling Interest	Total Stockholders' Equity
		Shares	Amount	Shares	Amount					
Balance at December 31, 2014	\$ 410.4	—	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net loss prior to the Reorganization Transactions	(43.4)	—	—	—	—	—	—	—	—	—
Equity-based compensation expense	8.7	—	—	—	—	19.8	—	—	—	19.8
Effect of the Reorganization Transactions	(375.9)	38,826	0.1	90,425	0.1	61.6	—	—	314.1	375.9
Issuance of Class A common stock in initial public offering, net of offering costs	—	26,000	—	—	—	480.6	—	—	—	480.6
Net loss subsequent to the Reorganization Transactions	—	—	—	—	—	—	(32.3)	—	(44.2)	(76.5)
TRA liability from the Reorganization Transactions	—	—	—	—	—	(170.4)	—	—	—	(170.4)
Stock option exercises and other	0.2	437	—	(27)	—	3.4	—	—	(2.5)	0.9
Other comprehensive income	—	—	—	—	—	—	—	0.9	—	0.9
Balance at September 30, 2015	\$ —	65,263	\$ 0.1	90,398	\$ 0.1	\$ 395.0	\$ (32.3)	\$ 0.9	\$ 267.4	\$ 631.2

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30,	
	2015	2014
Operating activities		
Net loss	\$ (119.9)	\$ (116.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	116.4	113.0
Equity-based compensation	28.5	22.2
Loss on debt extinguishment	21.4	—
Other	7.5	8.2
Changes in operating assets and liabilities, net of amounts acquired:		
Registry deposits	(3.4)	(1.7)
Prepaid domain name registry fees	(32.5)	(24.8)
Deferred revenue	161.9	157.3
Other operating assets and liabilities	18.2	(2.8)
Net cash provided by operating activities	198.1	154.9
Investing activities		
Purchases of short-term investments	(7.3)	(6.0)
Maturities of short-term investments	4.9	6.2
Business acquisitions, net of cash acquired	(30.7)	(40.7)
Purchase of intangible assets	(22.5)	—
Purchases of property and equipment, excluding improvements	(31.3)	(35.1)
Purchases of leasehold and building improvements	(3.0)	(6.3)
Other	1.1	1.1
Net cash used in investing activities	(88.8)	(80.8)
Financing activities		
Proceeds from issuance of Class A common stock sold in initial public offering, net of offering costs	482.4	(1.4)
Distributions paid to unit and option holders	—	(349.0)
Proceeds from option exercises and other	1.2	2.6
Proceeds from term loan	—	263.8
Proceeds from revolving credit loan	—	75.0
Repayment of senior note	(300.0)	—
Repayment of revolving credit loan	(75.0)	—
Repayment of term loan	(8.2)	(4.9)
Payment of financing-related costs	(13.5)	(8.4)
Repayment of other financing obligations	(7.4)	(2.2)
Net cash provided by (used in) financing activities	79.5	(24.5)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	—
Net increase in cash and cash equivalents	188.7	49.6
Cash and cash equivalents, beginning of period	139.0	95.4
Cash and cash equivalents, end of period	\$ 327.7	\$ 145.0
Supplemental cash flow information:		
Cash paid during the period for:		
Interest on long-term debt	\$ 47.3	\$ 54.4
Income taxes, net of refunds received	\$ 1.6	\$ 1.7
Supplemental information for non-cash investing and financing activities:		
Fair value of contingent consideration in connection with business acquisitions	\$ 0.9	\$ 2.3
Accrued capital expenditures, excluding improvements, at period end	\$ 5.0	\$ 8.3
Accrued capital expenditures, leasehold and building improvements, at period end	\$ 0.6	\$ 7.3
Building acquired under lease financing obligation	\$ —	\$ 18.1

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

1. Organization and Background

Description of Business

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 and provide website building, hosting and security tools to help customers easily construct and protect their online presence and tackle the rapidly-changing technology landscape. As our customers grow, we provide applications helping them connect to their customers, manage and grow their businesses and get found online.

Initial Public Offering

We were incorporated on May 28, 2014 for the purpose of facilitating an initial public offering and other related transactions in order to operate the business of Desert Newco, LLC (Desert Newco) and its subsidiaries.

On April 7, 2015, we completed an initial public offering (IPO) and sold 26,000 shares of Class A common stock at a public offering price of \$20.00 per share, including 2,500 shares purchased by affiliates of certain members of our board of directors (the Board). We received \$491.8 million in proceeds, net of underwriting discounts and commissions, which we used to purchase newly-issued limited liability company units (LLC Units) from Desert Newco at a price per unit equal to the IPO price.

Organizational Transactions

In connection with the IPO, we completed a series of organizational transactions on April 7, 2015 (the Reorganization Transactions), including:

- the amendment and restatement of Desert Newco's limited liability company agreement (the New LLC Agreement) to, among other things, appoint us as sole managing member and reclassify all LLC Units as non-voting units;
- the issuance of shares of Class B common stock to each of Desert Newco's existing owners (the Continuing LLC Owners) on a one-to-one basis with the number of LLC Units owned; and
- the acquisition, by merger, of four members of Desert Newco (the Reorganization Parties), for which we issued 38,826 shares of Class A common stock as consideration (the Investor Corp Mergers).

We are the sole managing member of Desert Newco. Although we have a minority economic interest, we have sole voting power in, and control the management of, Desert Newco. As a result, we consolidate Desert Newco's financial results and report a non-controlling interest related to the portion of Desert Newco not owned by us. As of September 30, 2015, we owned approximately 42% of Desert Newco.

The Reorganization Transactions were considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes.

Basis of Presentation

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP), and include our accounts and the accounts of our subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

We had no significant components of other comprehensive income during any of the periods presented. As such, a consolidated statement of comprehensive loss is not presented.

Our interim condensed consolidated financial statements are unaudited. These financial statements have been prepared in accordance with GAAP, and in our opinion, include all adjustments of a normal recurring nature necessary for the fair presentation of the interim periods presented. The results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for any subsequent quarter or for the year ending December 31, 2015.

The accompanying financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our prospectus dated March 31, 2015, filed with the Securities and Exchange Commission (the SEC) in accordance with Rule 424(b) of the Securities Exchange Act of 1933, as amended (the Securities Act), on April 1, 2015.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Prior Period Reclassifications

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions affecting amounts reported in our financial statements. Our more significant estimates include:

- the determination of the best estimate of selling price of the deliverables included in multiple-deliverable revenue arrangements;
- the fair value of assets acquired and liabilities assumed in business combinations;
- the assessment of recoverability of long-lived assets, including property and equipment, goodwill and intangible assets;
- the estimated reserve for refunds;
- the estimated useful lives of intangible and depreciable assets;
- the grant date fair value of equity-based awards;
- the recognition, measurement and valuation of current and deferred income taxes;
- the recognition and measurement of amounts payable under tax receivable agreements; and
- the recognition and measurement of loss contingencies, indirect tax liabilities and certain accrued liabilities.

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

Segments and Reporting Units

Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, or individuals who make up the chief operating decision maker function. Our chief operating decision maker function is comprised of the Chief Executive Officer and the Chief Operating Officer, who collectively review financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance for the entire company. Accordingly, we have a single operating segment and reporting unit structure.

2. Summary of Significant Accounting Policies

Other than as summarized below, there have been no material changes to our significant accounting policies from those disclosed in our prospectus dated March 31, 2015, filed with the SEC on April 1, 2015.

Derivative Financial Instruments

During the third quarter of 2015, we entered into foreign exchange forward contracts with financial institutions to hedge certain forecasted revenue transactions denominated in currencies other than the United States (U.S.) dollar. We designate these forward contracts as cash flow hedges, which are recognized as either assets or liabilities at fair value. We do not hold or issue derivative instruments for speculative or trading purposes. At September 30, 2015, the total notional amount of such contracts was \$80.6 million, all having maturities of 12 months or less.

We reflect gains or losses on the effective portion of a cash flow hedge as a component of accumulated other comprehensive income and subsequently amortize the cumulative gains or losses to revenue as the underlying transactions are recognized. Any ineffective portion of gains or losses are recorded as other income (expense), net. At September 30, 2015, all such amounts were immaterial.

Income Taxes

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

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

determine deferred tax assets and liabilities on the basis of the differences between the financial statement 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 our statement of operations 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 record uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more-likely-than-not the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions meeting the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Interest and penalties related to income taxes are included in benefit (provision) for income taxes. We have not incurred any significant interest or penalties related to income taxes in any of the periods presented.

Payable to Related Parties Pursuant to the TRAs

Concurrent with the completion of the IPO, we became a party to five Tax Receivable Agreements (TRAs). Four of the TRAs are between us and each of the four Reorganization Parties, with the fifth being between us and the Continuing LLC Owners. The TRAs provide for payment to the Reorganization Parties and the Continuing LLC Owners of approximately 85% of the amount of the calculated tax savings, if any, we will realize due to the Investor Corp Mergers and any future exchanges of LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock.

In the Investor Corp Mergers, we received certain tax attributes, including the original basis adjustments (the OBAs), created when the Reorganization Parties acquired their original LLC Units. These OBAs entitle us to the depreciation and amortization previously allocable to the Reorganization Parties. To the extent this depreciation and amortization is used to reduce our taxable income, thereby resulting in actual tax savings, we will be required to pay the Reorganization Parties approximately 85% of such savings. The liability under the TRAs will be adjusted through general and administrative expenses each period based on changes in anticipated future taxable income.

Based on current projections of taxable income, we anticipate we will utilize a significant portion of the OBAs allocated to us in the form of additional depreciation and amortization deductions. These deductions are allowed prior to the utilization of any net operating loss or tax credit carryforward against income taxes. Accordingly, we have recorded a liability reflecting the portion of the calculated tax savings we expect to owe to the Reorganization Parties 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 net operating loss carryforwards, also increasing the deferred tax assets described above as these excess deductions are realized.

We expect to obtain an increase in our share of the tax basis of Desert Newco's assets when the Continuing LLC Owners exchange LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock. When we acquire LLC Units from the Continuing LLC Owners, we expect both the OBAs and the anticipated basis adjustments will increase, for tax purposes, our depreciation and amortization deductions, reducing the amount of future income tax we would otherwise be required to pay. This increase in tax basis will create additional deferred tax assets and additional liability under the TRAs of approximately 85% of the calculated tax savings for the expected use of these additional deductions. The increase in tax basis may also decrease gains, or increase losses, on future dispositions of certain assets to the extent tax basis is allocated to those assets.

As a result of the Reorganization Transactions and the IPO, we acquired LLC Units and are required to recognize deferred tax assets and liabilities for the difference between the financial reporting and tax basis of our investment in Desert Newco at the investor level.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard on revenue recognition from contracts with customers. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB approved a one year deferral of the effective date making the new standard effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted as of the

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

original effective date. The new standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the timing of our adoption and the impact of this new standard on our consolidated financial statements.

In February 2015, the FASB issued new guidance related to consolidations. The new standard amends the guidelines for determining whether certain legal entities should be consolidated. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new guidance regarding the presentation of debt issuance costs. This guidance requires debt issuance costs related to a recognized debt liability to be presented as a direct deduction of the carrying amount of the debt liability. The recognition and measurement guidance for debt issuance costs is not affected by this new guidance. We do not expect the adoption of this guidance, effective for us in the first quarter of 2016, to have a material impact on our consolidated financial statements, although it will require retrospective application, reducing the amount of debt and total assets reflected on our historical consolidated balance sheets.

In April 2015, the FASB issued new guidance related to accounting for fees paid in a cloud computing arrangement. The new standard provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In September 2015, the FASB issued new guidance simplifying the accounting for measurement period adjustments resulting from business combinations. The new standard requires an entity to recognize adjustments to provisional amounts in the period in which they are determined, rather than retrospectively adjusting previously reported amounts. The standard requires the acquiring entity to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income, if any, resulting from the change to provisional amounts, calculated as if the accounting had been completed at the acquisition date. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

3. Business Acquisitions

During the nine months ended September 30, 2015, we completed three acquisitions for total aggregate consideration consisting of cash of \$29.2 million and additional earn-out payments subject to the achievement of certain revenue targets. We recognized a liability of \$0.9 million representing the initial estimated fair value of the contingent consideration. These acquisitions are not material to our results of operations, and as a result, no proforma financial information is presented.

The aggregate purchase price was allocated to the assets acquired and liabilities assumed based upon our assessment of their fair values as of the respective acquisition dates with \$26.5 million attributed to identified indefinite-lived intangible assets, \$ 2.5 million to other identified finite-lived intangible assets, \$1.1 million to goodwill, which is deductible for income tax purposes, and \$0.9 million of net liabilities assumed. Identified intangible assets, which were valued using either income- or cost-based approaches, include an indefinite-lived domain portfolio and customer-related intangible assets, developed technology and branding having a total weighted-average amortization period of 1.7 years.

4. Goodwill and Intangible Assets

The following table summarizes changes in our goodwill balance:

Balance at December 31, 2014	\$	1,661.2
Goodwill related to acquisitions		1.1
Balance at September 30, 2015	\$	<u>1,662.3</u>

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Intangible assets, net are summarized as follows:

	September 30, 2015			
	Gross Carrying Amount	Accumulated Amortization	Domains Sold	Net Carrying Amount
Indefinite-lived intangible assets:				
Trade names and branding	\$ 445.0	n/a	n/a	\$ 445.0
Domain portfolio	26.5	n/a	\$ 1.4	25.1
Finite-lived intangible assets:				
Customer-related	360.5	\$ 181.5	n/a	179.0
Developed technology	210.1	138.0	n/a	72.1
Trade names	11.2	4.6	n/a	6.6
Other	1.1	0.7	n/a	0.4
	<u>\$ 1,054.4</u>	<u>\$ 324.8</u>	<u>\$ 1.4</u>	<u>\$ 728.2</u>

	December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Domains Sold	Net Carrying Amount
Indefinite-lived intangible assets:				
Trade names and branding	\$ 445.0	n/a	n/a	\$ 445.0
Finite-lived intangible assets:				
Customer-related	336.9	\$ 143.1	n/a	193.8
Developed technology	209.5	107.4	n/a	102.1
Trade names	10.9	2.8	n/a	8.1
Other	1.1	0.4	n/a	0.7
	<u>\$ 1,003.4</u>	<u>\$ 253.7</u>	<u>\$ 0.4</u>	<u>\$ 749.7</u>

During the nine months ended September 30, 2015, we purchased a customer-related intangible asset for \$22.5 million in cash and additional earn-out payments of up to \$16.7 million subject to the achievement of certain customer conversion milestones. The purchased intangible asset was valued at cost and will be amortized over 48 months based on expected customer attrition. Transaction costs were immaterial and were expensed as incurred. The asset will be increased by the value of the contingent consideration to the extent the related milestones are achieved.

Customer-related intangible assets, developed technology, trade names and other intangible assets have weighted-average useful lives from the date of purchase of 99 months, 64 months, 58 months and 36 months, respectively. Amortization expense was \$ 24.6 million and \$24.4 million for the three months ended September 30, 2015 and 2014, respectively. Amortization expense was \$71.4 million and \$ 72.3 million for the nine months ended September 30, 2015 and 2014, respectively. The weighted-average remaining amortization period for amortizable intangible assets was 49 months as of September 30, 2015.

As individual domains are sold, our indefinite-lived domain portfolio intangible asset is reduced by the allocated carrying cost of each domain, which is included in cost of revenue.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Based on the balance of finite-lived intangible assets at September 30, 2015 , expected future amortization expense is as follows:

Year Ending December 31:

2015 (remainder of)	\$	26.1
2016		88.8
2017		52.5
2018		44.4
2019		25.9
Thereafter		20.4
	\$	<u>258.1</u>

5. Stockholders' Equity

Restatement of Certificate of Incorporation

Our Board approved an amended and restated certificate of incorporation (the Restated Certificate of Incorporation), which became effective on March 31, 2015 immediately prior to the effectiveness of the Registration Statement on Form S-1 (the Registration Statement) filed in connection with our IPO. The Restated Certificate of Incorporation authorized the issuance of up to 1,000,000 shares of Class A common stock, up to 500,000 shares of Class B common stock and up to 50,000 shares of undesignated preferred stock, each having a par value of \$0.001 per share. Shares of Class A common stock have both economic and voting rights. Shares of Class B common stock have no economic rights, but do have voting rights. Holders of Class A and Class B common stock are entitled to one vote per share and, except as otherwise required, will vote together as a single class on all matters on which stockholders generally are entitled to vote.

We are required to, at all times, maintain (i) a one-to-one ratio between the number of shares of Class A common stock outstanding and the number of LLC Units owned by us and (ii) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of LLC Units owned by the Continuing LLC Owners. We may issue shares of Class B common stock only to the extent necessary to maintain these ratios. Shares of Class B common stock are transferable only together with an equal number of LLC Units if we, at the election of a Continuing LLC Owner, exchange LLC Units for shares of Class A common stock.

Desert Newco Recapitalization

Desert Newco's board of directors adopted the New LLC Agreement, which became effective on March 31, 2015 immediately following the effectiveness of the Registration Statement. The New LLC Agreement, among other things, appointed us as Desert Newco's sole managing member and reclassified all outstanding LLC Units as non-voting units. The New LLC Agreement also revised the tax rate applicable to the tax distributions we are required to make to the holders of LLC Units. These tax distributions will be computed based on an assumed income tax rate equal to the sum of (i) the maximum marginal federal income tax rate applicable to an individual and (ii) 7% , which represents an assumed blended state income tax rate. The assumed income tax rate currently totals 46.6% , which will increase to 50.4% in certain cases when the tax on net investment income is applicable.

Investor Corp Mergers

As described in Note 1 , we acquired the Reorganization Parties, to which we issued an aggregate of 38,826 shares of Class A common stock as consideration for the 38,826 aggregate LLC Units held by such entities. Upon consummation of the Investor Corp Mergers, we recognized the acquired LLC Units at carrying value, as these transactions are considered to be between entities under common control.

We also acquired the tax attributes of the Reorganization Parties, which were recorded generally as deferred tax assets at the time of the Investor Corp Mergers. These attributes include net operating losses, tax credit carryforwards and OBAs arising from the original acquisition of LLC Units by the Reorganization Parties, as described in Note 10 .

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Initial Public Offering

As described in Note 1 , on April 7, 2015 , we completed an IPO and sold 26,000 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, which we used to purchase newly-issued LLC Units from Desert Newco at a price per unit equal to the IPO price. In connection with the IPO, we issued 90,425 shares of Class B common stock to the Continuing LLC Owners.

We incurred \$11.2 million , including amounts paid in 2014, of legal, accounting, printing and other professional fees related to the IPO, including \$1.3 million and \$0.1 million paid on behalf of the Sponsors and Bob Parsons, respectively. These amounts were charged against additional paid-in capital upon completion of the IPO.

We used the net proceeds from the IPO to: (i) make certain payments to the Sponsors and Bob Parsons as described in Note 13 , (ii) repay the note payable to The Go Daddy Group, Inc. (Holdings), an entity owned by Bob Parsons, and all amounts drawn on our revolving credit loan as described in Note 8 and (iii) complete an acquisition.

6. Equity-Based Compensation Plans

Our Board adopted the 2015 Equity Incentive Plan (the 2015 Plan), which became effective on March 31, 2015 upon the effectiveness of the Registration Statement. We reserved a total of 6,050 shares of Class A common stock for issuance pursuant to the 2015 Plan. In addition, the shares reserved for issuance include 4,235 shares reserved but unissued under Desert Newco's 2011 Unit Incentive Plan (the 2011 Unit Incentive Plan) plus up to 28,133 shares rolled over from the 2011 Unit Incentive Plan and from certain other option plans assumed in connection with acquisitions. The number of shares reserved for issuance will be increased automatically on January 1st of each year, beginning in 2016 , by a number equal to the least of (i) 20,571 shares, (ii) 4% of the total shares of all classes of common stock outstanding as of the last day of the preceding year or (iii) such other amount as may be determined by our Board.

Our Board adopted the 2015 Employee Stock Purchase Plan (the ESPP), which became effective on March 31, 2015 upon the effectiveness of the Registration Statement. We reserved a total of 2,000 shares of Class A common stock for issuance pursuant to the ESPP. The number of shares reserved for issuance will be increased automatically on January 1st of each year, beginning in 2016 , by a number equal to the least of (i) 1,000 shares, (ii) 1% of the total shares of all classes of common stock outstanding as of the last day of the preceding year or (iii) such other amount as may be determined by our Board.

We grant options at exercise prices equal to the fair market value of our Class A common stock on the date of grant. We recognize the grant date fair value of equity-based awards as compensation expense over the required service period of each award, taking into account the probability of our achievement of associated predetermined performance targets. Equity-based award activity was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Number of options granted	843	1,265	3,356	3,971
Weighted-average exercise price of options granted	\$ 25.87	\$ 18.00	\$ 22.37	\$ 16.20
Weighted-average grant date fair value of options granted	\$ 10.96	\$ 8.05	\$ 9.18	\$ 7.73
Number of RSUs granted	2	—	16	62
Weighted-average grant date fair value of RSUs granted	\$ 24.81	\$ —	\$ 26.84	\$ 15.27

At September 30, 2015 , total unrecognized compensation expense related to non-vested awards was \$56.2 million with an expected remaining weighted-average recognition period of 2.4 years. We currently believe the performance targets related to the vesting of performance options will be achieved. If such targets are not achieved, or are subsequently determined to not be probable of being achieved, we will not recognize any equity-based compensation expense relating to performance options, and will reverse any previously recognized equity-based compensation expense.

The fair value of each ESPP share is estimated on the first day of each offering period using the Black-Scholes option pricing model, and is recognized as equity-based compensation expense on a straight-line basis over the term of each six-month offering period. As of September 30, 2015 , \$9.7 million has been withheld on behalf of employees for future purchases under the ESPP, which is included in accrued expenses. At September 30, 2015 , total unrecognized compensation expense related to ESPP shares was \$0.8 million , which will be recognized during the fourth quarter of 2015.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

7. Deferred Revenue

Deferred revenue consists of the following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Current:		
Domains	\$ 501.5	\$ 462.9
Hosting and presence	327.4	283.4
Business applications	105.1	75.1
	<u>\$ 934.0</u>	<u>\$ 821.4</u>
Noncurrent:		
Domains	\$ 287.8	\$ 266.8
Hosting and presence	150.7	131.5
Business applications	40.0	30.9
	<u>\$ 478.5</u>	<u>\$ 429.2</u>

8. Long-Term Debt

Long-term debt consists of the following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Term Loan due May 13, 2021 (effective interest rate of 5.1% at September 30, 2015 and 5.2% at December 31, 2014)	\$ 1,086.3	\$ 1,094.5
9% Note payable to Holdings (Senior Note)	—	300.0
Revolving Credit Loan due May 13, 2019 (effective interest rate of 4.0% at December 31, 2014)	—	75.0
Total	<u>1,086.3</u>	<u>1,469.5</u>
Less unamortized original issue discounts on long-term debt ⁽¹⁾	(38.3)	(50.6)
Less current portion of long-term debt	(4.8)	(5.0)
	<u>\$ 1,043.2</u>	<u>\$ 1,413.9</u>

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

Term Loan and Revolving Credit Loan

Our amended and restated secured credit agreement (the Credit Facility) consists of a \$1,100.0 million original balance term loan maturing on May 13, 2021 (the Term Loan) and an available \$150.0 million revolving credit loan maturing on May 13, 2019 (the Revolving Credit Loan). Borrowings under the Credit Facility bear interest at a rate equal to, at our option, either (a) LIBOR (not less than 1.0% for the Term Loan only) plus 3.25% per annum or (b) 2.25% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%. The interest rate margins above reflect reductions of 0.25% following the IPO and an additional 0.25% due to our achievement of certain leverage criteria.

In April 2015, we made a payment of \$75.0 million to repay all amounts drawn on the Revolving Credit Loan. At September 30, 2015, we have \$150.0 million available for borrowing under the Revolving Credit Loan.

At September 30, 2015, we were not in violation of any covenants of the Credit Facility.

The estimated fair value of the Term Loan was \$1,087.7 million at September 30, 2015 based on observable market prices for this loan, which is traded in a less active market and is therefore classified as a Level 2 fair value measurement.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Senior Note

In April 2015, we made a payment totaling \$316.0 million to repay the Senior Note, consisting of principal of \$300.0 million, prepayment premium of \$13.5 million, which was recorded as a loss on debt extinguishment, and accrued interest of \$2.5 million. Additionally, in connection with the repayment, \$7.1 million of unamortized original issue discount and \$0.8 million of deferred financing costs were recorded as a loss on debt extinguishment. Following this payment, the Senior Note was canceled.

Future Debt Maturities

Aggregate principal payments, exclusive of any unamortized original issue discounts, due on long-term debt as of September 30, 2015 are as follows:

Year Ending December 31:

2015 (remainder of)	\$	2.8
2016		11.0
2017		11.0
2018		11.0
2019		11.0
Thereafter		1,039.5
	\$	<u>1,086.3</u>

9. Commitments and Contingencies**Litigation**

From time-to-time, we are a party to litigation and subject to claims incident to the ordinary course of business, including intellectual property claims, labor and employment claims, breach of contract claims and other asserted and unasserted claims. We investigate these claims as they arise and accrue estimates for resolution of legal and other contingencies when losses are probable and estimable. While the results of such normal course claims and legal proceedings cannot be predicted with certainty, we do not believe, based on current knowledge and the likely timing of resolution of various matters, any additional reasonably possible potential losses above the amount accrued for such matters would be material to our consolidated financial statements. Regardless of the outcome, legal proceedings may have an adverse effect on us because of defense costs, diversion of management resources and other factors.

Indemnifications

In the normal course of business, we have made indemnities under which we may be required to make payments in relation to certain transactions. These include indemnities to our directors and officers to the maximum extent permitted under applicable state laws and indemnifications related to certain lease agreements. In addition, certain advertiser and reseller partner agreements contain indemnification provisions, which are generally consistent with those prevalent in the industry. We have not incurred significant obligations under indemnification provisions historically, and do not expect to incur significant obligations in the future. Accordingly, we have not recorded any liabilities related to such indemnities as of September 30, 2015 and December 31, 2014.

We include service level commitments to our customers guaranteeing certain levels of uptime reliability and performance for our hosting and premium DNS products. These guarantees permit those customers to receive credits in the event we fail to meet those levels, with exceptions for certain service interruptions including but not limited to periodic maintenance. We have not incurred any material costs as a result of such commitments during any of the periods presented, and have not recorded any liabilities related to such obligations as of September 30, 2015 and December 31, 2014.

Indirect Taxes

We are subject to indirect taxation in some, but not all, of the various states and foreign jurisdictions in which we conduct business. Laws and regulations attempting to subject communications and commerce conducted over the Internet to various indirect taxes are becoming more prevalent, both in the U.S. and internationally, and may impose additional burdens on us in the future. Increased regulation could negatively affect our business directly, as well as the businesses of our customers.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Taxing authorities may impose indirect taxes on the Internet-related revenue we generate based on regulations currently being applied to similar, but not directly comparable, industries. There are many transactions and calculations where the ultimate indirect tax determination is uncertain. In addition, domestic and international indirect taxation laws are complex and subject to change. We may be audited in the future, which could result in changes to our indirect tax estimates. We continually evaluate those jurisdictions in which nexus exists and believe we maintain adequate indirect tax accruals. Although we believe our indirect tax estimates and associated accruals are reasonable, the final determination of indirect tax audits and any related litigation could be different than the amounts established for indirect tax contingencies.

As of September 30, 2015 and December 31, 2014, our accrual for estimated indirect tax liabilities was \$6.3 million and \$5.9 million, respectively, which reflects our best estimate of the probable liability based on an analysis of our business activities, revenues subject to indirect taxes and applicable regulations in each jurisdiction. Due to the complexity and uncertainty surrounding indirect tax laws, we believe it is reasonably possible we have incurred additional liabilities related to indirect taxes; however, we are not currently able to estimate a range.

10. Income Taxes

We are subject to U.S. federal income taxes as well as state 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. As such, 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, these subsidiaries also file as a consolidated group for state income tax purposes.

Our effective tax rate differs from statutory rates primarily due to Desert Newco's pass-through structure for U.S. income tax purposes, while being treated as taxable in certain states and various foreign jurisdictions as well as for certain subsidiaries. In all foreign jurisdictions where we conduct business, except Canada, we operate through legal entities disregarded for U.S. income tax purposes and are subject to income tax in both the local jurisdictions and the U.S. In addition, after evaluating our ability to recover deferred tax assets associated with net operating losses and other tax attributes received through the Reorganization Transactions and the IPO, we have determined it is more-likely-than-not these deferred tax assets will not be realized. Accordingly, we have recorded a valuation allowance against all of these deferred tax assets.

We determined a liability related to uncertain income tax positions does not exist during any of the periods presented. Although we believe the amounts reflected in our income tax returns substantially comply with applicable federal, state and foreign tax regulations, the respective taxing authorities may take contrary positions based on their interpretation of the law. A tax position successfully challenged by a taxing authority could result in an adjustment to the provision or benefit for income taxes in the period in which a final determination is made.

Payable to Related Parties Pursuant to the TRAs

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 significant portion of these specially allocated deductions related to the original OBAs. Accordingly, at the completion of the Reorganization Transactions and the IPO, we recorded an initial liability of \$170.4 million payable to the Reorganization Parties under the TRAs, representing approximately 85% of the calculated tax savings based on the portion of the OBAs we anticipate being able to utilize in future years. During the three months ended September 30, 2015, we recorded \$0.5 million as an increase to the TRA liability resulting from changes in anticipated taxable income, which is included in general and administrative expenses. As of September 30, 2015, \$3.0 million of the TRA liability is expected to be paid within the next 12 months; therefore, this amount is included in current liabilities.

As a result of the Reorganization Transactions and the IPO, we acquired LLC Units and are required to recognize deferred tax assets and liabilities for the difference between the financial reporting and tax basis of our investment in Desert Newco at the investor level. Based on our limited operating history and future projections of taxable income, we believe there is significant uncertainty as to when we will be able to utilize the net operating loss carryforwards acquired in the Investor Corp Mergers. Therefore, after considering all available positive and negative evidence impacting the future realization of deferred tax assets, we have concluded it is more-likely-than-not these deferred tax assets will not be realized. Accordingly, a valuation allowance has been recorded against all of these deferred tax assets.

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

11. Loss Per Share

Basic loss per share is computed by dividing net loss attributable to GoDaddy Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted loss per share is computed giving effect to all potentially dilutive shares, including outstanding options, RSUs and warrants. Diluted loss per share for all periods presented is the same as basic loss per share as the inclusion of potentially issuable shares would be antidilutive.

For purposes of calculating loss per share for periods prior to the IPO, including the nine months ended September 30, 2015 for which a portion of the period preceded the IPO, we treated the Reorganization Transactions as a merger of entities under common control. Therefore, we have retrospectively reflected loss per share as though these transactions had occurred as of the earliest period presented. For all periods prior to the IPO, we allocated our historical net loss between the Class A stockholders and the non-controlling interest based on their respective share ownership. For these allocations, the weighted average shares of Class A common stock outstanding was based upon the number of LLC Units held by the Reorganization Parties, while the weighted average shares of Class B common stock outstanding for the non-controlling interest was based upon the LLC Units held by the Continuing LLC Owners. These calculations do not consider the 26,000 shares of Class A common stock sold in our IPO.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net loss	\$ (5.2)	\$ (27.6)	\$ (119.9)	\$ (116.5)
Less: net loss attributable to non-controlling interests	(2.7)	(19.3)	(74.0)	(81.3)
Net loss attributable to GoDaddy Inc.	<u>\$ (2.5)</u>	<u>\$ (8.3)</u>	<u>\$ (45.9)</u>	<u>\$ (35.2)</u>
Denominator:				
Weighted-average shares of Class A common stock outstanding—basic	64,999	38,826	56,153	38,826
Effect of dilutive securities	—	—	—	—
Weighted-average shares of Class A Common stock outstanding—diluted	<u>64,999</u>	<u>38,826</u>	<u>56,153</u>	<u>38,826</u>
Net loss per share of Class A common stock—basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.21)</u>	<u>\$ (0.82)</u>	<u>\$ (0.91)</u>

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted loss per share because the effect of including such shares would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Options, RSUs and warrants	15,731	11,250	14,693	10,162

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

Shares of Class B common stock do not share in our earnings and are not participating securities. Accordingly, separate presentation of loss per share of Class B common stock under the two-class method has not been presented. Each share of Class B common stock (together with a corresponding LLC Unit) is exchangeable for one share of Class A common stock. The shares of Class B common stock were determined to be antidilutive under the if-converted and two-class methods; therefore, they are not included in the computation of net loss per share. Total shares of common stock outstanding were as follows:

	September 30, 2015	December 31, 2014 <small>(1)</small>
Class A common stock	65,263	38,826
Class B common stock	90,398	90,177
	155,661	129,003

(1) Shares for December 31, 2014 have been retrospectively adjusted to give effect to the Reorganization Transactions.

12. Geographic Information

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

	Three Months Ended		September		Nine Months Ended		September	
	30,		30,		30,		30,	
	2015	2014	2015	2014	2015	2014	2015	2014
U.S.	\$ 305.8	\$ 267.2	\$ 880.5	\$ 764.5				
International	105.3	89.7	301.4	251.1				
	\$ 411.1	\$ 356.9	\$ 1,181.9	\$ 1,015.6				

No individual international country represented more than 10% of total revenue in any period presented. Substantially all of our assets are located in the U.S.

13. Related Party Transactions

Sponsors

Amounts paid to affiliates of KKR related to their participation as lenders under our Credit Facility were as follows:

	Three Months Ended		Nine Months Ended		September	
	September 30,		30,		30,	
	2015	2014	2015	2014	2015	2014
Principal	\$ 0.1	\$ 0.1	\$ 5.2	\$ 0.1		
Interest and other fees	0.3	0.6	1.1	1.1		
Debt financing fees	—	—	—	0.7		

As of September 30, 2015 and December 31, 2014, affiliates of KKR held \$28.9 million and \$29.1 million, respectively, of the outstanding principal balance of the Term Loan as participating lenders. Additionally, as of December 31, 2014, affiliates of KKR held \$5.0 million of the outstanding principal balance of the Revolving Credit Loan as participating lenders, which was repaid in April 2015.

On December 16, 2011, we entered into a transaction and monitoring fee agreement with affiliates of certain of the Sponsors pursuant to which those entities provided management and advisory services. In April 2015, we made a final aggregate payment of \$26.7 million upon the termination of this agreement following the completion of the IPO, which was charged to general and administrative expenses. This payment was equal to the present value of the management fees that would have been payable during the ten-year period following termination. Following this payment, we have no further obligations under this agreement. During the three months ended September 30, 2015 and 2014, we paid \$0 and \$0.6 million,

GoDaddy Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)
(In millions, except share amounts which are reflected in thousands and per share amounts)

respectively, under this arrangement. During the nine months ended September 30, 2015 and 2014 , we paid \$27.3 million and \$1.8 million , respectively, under this arrangement.

Bob Parsons and Holdings

On December 16, 2011 , we entered into a services agreement with Bob Parsons pursuant to which we were obligated to provide customary benefits and to reimburse up to \$0.5 million of business expenses annually. In April 2015 , we paid \$3.0 million upon the termination of this agreement following the completion of the IPO, which was charged to general and administrative expenses. Following this payment, we have no further obligations under this agreement. We made no other significant payments under this arrangement during any of the periods presented.

During the three months ended September 30, 2015 and 2014 , we paid \$0 and \$6.8 million , respectively, of interest to Holdings under the Senior Note. During the nine months ended September 30, 2015 and 2014 , we paid \$9.2 million and \$20.3 million , respectively, of interest to Holdings under the Senior Note. In April 2015, we also paid a \$13.5 million prepayment premium to Holdings in connection with our repayment of the Senior Note.

Holdings has indemnified us for certain taxes related to periods prior to December 16, 2011 and we have agreed to provide customary indemnification to Bob Parsons related to his service to us.

Other

In the ordinary course of business, we purchase and lease computer equipment, technology licensing and software maintenance and support from affiliates of Dell Inc. (Dell). Silver Lake and its affiliates have a significant ownership interest in Dell. During the three months ended September 30, 2015 and 2014 , we paid \$4.3 million and \$5.8 million , respectively, to Dell. During the nine months ended September 30, 2015 and 2014 , we paid \$13.3 million and \$14.2 million , respectively, to Dell.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q as well as the discussion in the "Business" section of our prospectus dated March 31, 2015, filed with the SEC in accordance with Rule 424(b) of the Securities Act on April 1, 2015.

Overview

We are a leading technology provider to small businesses, web design professionals and individuals, delivering simple, easy-to-use cloud-based products coupled with outcome-driven, personalized customer care. We operate the world's largest domain marketplace, where our customers can find a unique piece of digital real estate perfectly matching their ideas. We provide website building, hosting and security tools to help customers easily construct and protect their online presence and tackle the rapidly changing technology landscape. As our customers grow, we provide applications helping them connect to their customers, manage and grow their businesses and get found online.

Third Quarter Financial Highlights

Below are our key financial highlights as of and for the three months ended September 30, 2015. All comparisons are to the three months ended September 30, 2014.

- Total revenue increased 15.2% to \$411.1 million.
- International revenue increased 17.4% to \$105.3 million.
- Total bookings ⁽¹⁾, a non-GAAP financial measure, increased 14.1% to \$475.6 million.
- Net loss was \$5.2 million.
- Adjusted EBITDA ⁽¹⁾, a non-GAAP financial measure, increased 22.5% to \$87.7 million.
- Total customers increased 8.8% to 13.6 million.
- Average revenue per user increased 6.8% to \$119.
- Cash and cash equivalents were \$327.7 million.
- Operating cash flow was \$78.7 million.
- Capital expenditures were \$11.3 million.

⁽¹⁾ 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 on page 24.

Factors Affecting Our Performance

We believe the growth of our business and our ability to achieve and maintain profitability will depend on various opportunities, challenges and other factors, including our ability to continue to expand our product offerings, to successfully expand internationally, to efficiently acquire new customers and to increase our sales to existing customers. While these areas present significant opportunities, they also present risks we must manage to ensure successful results. If we are unable to address these challenges, our business could be adversely affected. We make significant ongoing investments in technology and development, marketing and advertising and Customer Care to support our revenue growth. Depending on the amount of these growth investments, our ability to achieve profitability may be delayed or our profitability may be reduced in the future.

Small businesses transitioning online. Many small businesses and organizations remain offline, given limited resources and inadequate tools. Our growth will depend in part on how quickly these small businesses and ventures take steps to establish an online presence with domains and websites and how many of them do so with us, and, once online, the rate at which they adopt our hosting, presence and business applications solutions to connect them to their customers and manage their businesses.

Evolution of the domains market. It is becoming increasingly difficult for customers to find the name best suiting their needs. As a result, many new generic top-level domains (gTLDs) have been authorized for release over the next several years addressing a wide range of markets and interests, from professions to personal interests to geographies, which will significantly expand the inventory of available domains. Our pricing for new gTLDs may be higher than that of first generation gTLDs due to

differences in the way new gTLDs are regulated. Additionally, there is a growing secondary market for the resale of existing domains. Our growth will depend in part on the continued relevance of first generation gTLDs, the timing and extent of adoption of new gTLDs, the continued development of the secondary domains market and pricing for domains.

International expansion. As we have increased our international presence by expanding into new markets, we have experienced higher growth in sales to international customers than to our domestic customers in recent periods. We believe our global opportunity is significant, and to address this opportunity, we have launched, and intend to continue to launch, localized versions of our products. We have also invested, and intend to continue to invest, in product marketing, infrastructure and personnel to support our international expansion efforts. These increased marketing costs may increase our cost of acquiring international customers, which may delay our ability to achieve profitability or reduce our profitability in the future. Our growth will depend in part on the adoption of our products in international markets, our ability to market them successfully and our ability to expand our operations into international markets. We believe our investment in localized versions of our products, infrastructure and regional Customer Care will contribute to our revenue growth, but it may delay our ability to achieve profitability or reduce our profitability in the future.

Leveraging cloud-based technologies. We have made significant investments in technology and development expenses and intend to continue to invest in product innovation to address the evolving needs of our customers. Our revenue growth will depend in part on our ability to leverage our cloud-based technology platform and infrastructure to continue to launch new product offerings and efficiently offer them to our customers. While we believe these investments will contribute to our revenue growth, they may delay our ability to achieve profitability or reduce our profitability in the future.

Enhancements in brand and marketing. We expect to continue to dedicate significant resources to brand advertising and direct marketing efforts, particularly as we expand into new geographies and introduce new products. We have benefitted from high lifetime revenue per customer relative to the corresponding marketing and advertising spend we have made. Given these unit economics, we will continue to employ highly-analytic, metric-driven marketing efforts to acquire new customers and diversify our marketing investments across additional channels and geographies. Our growth will depend in part on our ability to launch impactful marketing campaigns and appropriately balance our level of spend with the benefits realized through new customer acquisitions and increased total bookings. In addition to our increased international focus, we are also targeting higher potential value segments like web professionals, which we expect may increase our cost to acquire customers over time. We believe our continued investment in brand advertising and direct marketing will help us acquire new customers, grow our revenue and improve our operating results over time. However, these investments may increase our cost to acquire customers, and as a result, may also delay our ability to achieve profitability or reduce our profitability in the future.

Key Metrics

We monitor the following key metrics to help us evaluate growth trends, establish budgets and assess operational performance. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except ARPU)			
Total bookings	\$ 475.6	\$ 416.8	\$ 1,450.2	\$ 1,265.6
Total customers at period end	13.6	12.5	13.6	12.5
Average revenue per user (ARPU)	\$ 119	\$ 112	\$ 119	\$ 112
Adjusted EBITDA	\$ 87.7	\$ 71.6	\$ 263.9	\$ 215.1

Total bookings. Total bookings represents gross cash receipts from the sale of products to customers in a given period before giving effect to certain adjustments, primarily net refunds granted in the period. Total bookings provides valuable insight into the sales of our products and the performance of our business since we typically collect payment at the time of sale and recognize revenue ratably over the term of our customer contracts. We report total bookings without giving effect to refunds granted in the period because refunds often occur in periods different from the period of sale for reasons unrelated to the marketing efforts

leading to the initial sale. Accordingly, by excluding net refunds, we believe total bookings reflects the effectiveness of our sales efforts in a given period.

Total bookings increased 14.1% from \$416.8 million for the three months ended September 30, 2014 to \$475.6 million for the three months ended September 30, 2015 and increased 14.6% from \$1,265.6 million for the nine months ended September 30, 2014 to \$1,450.2 million for the nine months ended September 30, 2015. These increases were primarily driven by an 8.8% increase in total customers since September 30, 2014, a 4.3% 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 expansion in international markets, 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 customers. We define total customers as those, as of the end of a period, having an active subscription. A single user may be counted as a customer more than once if the user maintains active subscriptions in multiple accounts. Total customers is an indicator of the scale of our business and is a critical factor in our ability to increase our revenue base.

Total customers increased 8.8% from 12.5 million as of September 30, 2014 to 13.6 million as of September 30, 2015. Our customer growth primarily resulted from increased brand awareness, our ongoing marketing and advertising initiatives, our continued international expansion and our enhanced and expanded product offerings.

Average revenue per user (ARPU). We calculate ARPU as total revenue during the preceding 12-month period divided by the average of the number of total customers at the beginning and end of the period. ARPU provides insight into our ability to sell additional products to customers, though the impact to date has been muted due to our continued growth in total customers. The impact of purchase accounting adjustments makes comparisons of ARPU among historical periods less meaningful; however, in future periods, as the effects of purchase accounting decrease, ARPU will become a more meaningful metric.

ARPU increased 6.8% from \$112 for the period ended September 30, 2014 to \$119 for the period ended September 30, 2015, 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 is a measure of our performance aligning our bookings and operating expenditures, and is the primary metric management uses to evaluate the profitability of our business. We calculate adjusted EBITDA as net loss excluding depreciation and amortization, interest expense (net), provision (benefit) for income taxes and adjustments to the TRA liability, equity-based compensation expense, change in deferred revenue, change in prepaid and accrued registry costs, acquisition and sponsor-related costs and a non-recurring reserve for sales taxes. Acquisition and sponsor-related costs include (i) retention and acquisition-specific employee costs, (ii) acquisition-related professional fees, (iii) adjustments to the fair value of contingent consideration, (iv) costs incurred under the transaction and monitoring fee agreement with the Sponsors, which was terminated in connection with the IPO, (v) costs incurred under the executive chairman services agreement, which was terminated in connection with the IPO, (vi) costs associated with consulting services provided by an affiliate of KKR and (vii) the loss incurred on the extinguishment of the Senior Note. As a result of our business model, we typically collect payment at the time of sale and generally recognize revenue ratably over the term of our customer contracts. At the time of a domain sale, we also incur the obligation for the domain name registry fees associated with the customer contract. As a result, sales to customers increase our deferred revenue and prepaid and accrued registry costs. We therefore adjust net loss for changes in deferred revenue and changes in the associated prepaid and accrued registry costs to facilitate a better comparison of our performance from period to period.

Adjusted EBITDA increased 22.5% from \$71.6 million for the three months ended September 30, 2014 to \$87.7 million for the three months ended September 30, 2015 and increased 22.7% from \$215.1 million for the nine months ended September 30, 2014 to \$263.9 million for the nine months ended September 30, 2015. These increases primarily resulted from our revenue growth and improved operating efficiencies.

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. First, total bookings and adjusted EBITDA are not substitutes for total revenue and net loss, respectively. Second, these non-GAAP financial measures may not provide information directly comparable to measures provided by other companies in our industry, as those other companies may calculate their non-GAAP financial measures differently, particularly related to adjustments for acquisition accounting and non-recurring expenses. Third, adjusted EBITDA excludes certain recurring expenses that have been, and will continue to be, significant expenses of our business.

The following tables reconcile the most directly comparable GAAP financial measure to each of these non-GAAP financial measures.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Total Bookings:				
Total revenue	\$ 411.1	\$ 356.9	\$ 1,181.9	\$ 1,015.6
Change in deferred revenue	29.8	27.9	161.9	157.3
Net refunds	34.3	28.7	104.8	87.1
Other	0.4	3.3	1.6	5.6
Total bookings	\$ 475.6	\$ 416.8	\$ 1,450.2	\$ 1,265.6
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Adjusted EBITDA:				
Net loss	\$ (5.2)	\$ (27.6)	\$ (119.9)	\$ (116.5)
Interest expense, net of interest income ⁽¹⁾	14.3	23.0	54.2	61.1
(Benefit) provision for income taxes and adjustments to the TRA liability ⁽²⁾	1.4	(1.0)	1.2	(3.0)
Depreciation and amortization	40.6	38.5	116.4	113.0
Equity-based compensation expense	10.0	9.4	28.5	22.2
Change in deferred revenue	29.8	27.9	161.9	157.3
Change in prepaid and accrued registry costs ⁽³⁾	(4.0)	—	(32.8)	(22.3)
Acquisition and sponsor-related costs ⁽⁴⁾	0.8	1.4	54.4	3.9
Sales tax accrual ⁽⁵⁾	—	—	—	(0.6)
Adjusted EBITDA	\$ 87.7	\$ 71.6	\$ 263.9	\$ 215.1

(1) Interest income is included in "Other income (expense), net."

(2) For the three and nine months ended September 30, 2015, \$0.5 million in adjustments to the TRA liability were included in general and administrative expenses. There were no such adjustments during any of the other periods presented.

(3) This amount includes the changes in prepaid domain name registry fees, registry deposits and registry payables.

(4) Cash paid for acquisition and sponsor-related costs included in net cash provided by operating activities was \$0.4 million and \$0.8 million for the three months ended September 30, 2015 and 2014, respectively, and \$30.7 million and \$2.2 million for the nine months ended September 30, 2015 and 2014, respectively. Cash paid for acquisition and sponsor-related costs included in net cash provided by financing activities was \$0 and \$13.5 million for the three and nine months ended September 30, 2015, respectively.

(5) This amount represents increases or decreases in the accrual for prior period sales tax obligations. See Note 9 to our condensed consolidated financial statements appearing in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Revenue:				
Domains	\$ 215.0	\$ 194.6	\$ 622.7	\$ 564.1
Hosting and presence	150.8	131.5	436.5	369.9
Business applications	45.3	30.8	122.7	81.6
Total revenue	411.1	356.9	1,181.9	1,015.6
Costs and operating expenses:				
Cost of revenue (excluding depreciation and amortization)	144.0	131.7	420.9	384.6
Technology and development	67.5	62.4	202.8	187.4
Marketing and advertising	49.3	40.2	150.8	121.7
Customer care	54.8	48.9	167.2	140.6
General and administrative	44.6	41.8	167.6	127.5
Depreciation and amortization	40.6	38.5	116.4	113.0
Total costs and operating expenses	400.8	363.5	1,225.7	1,074.8
Operating income (loss)	10.3	(6.6)	(43.8)	(59.2)
Interest expense	(14.6)	(23.1)	(54.7)	(61.3)
Loss on debt extinguishment	—	—	(21.4)	—
Other income (expense), net	—	1.1	0.7	1.0
Loss before income taxes	(4.3)	(28.6)	(119.2)	(119.5)
Benefit (provision) for income taxes	(0.9)	1.0	(0.7)	3.0
Net loss	(5.2)	(27.6)	(119.9)	(116.5)
Less: net loss attributable to non-controlling interests	(2.7)	—	(44.2)	—
Net loss attributable to GoDaddy Inc.	\$ (2.5)	\$ (27.6)	\$ (75.7)	\$ (116.5)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Domains	52.3 %	54.5 %	52.7 %	55.5 %
Hosting and presence	36.7 %	36.9 %	36.9 %	36.5 %
Business applications	11.0 %	8.6 %	10.4 %	8.0 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and operating expenses:				
Cost of revenue (excluding depreciation and amortization)	35.0 %	36.9 %	35.6 %	37.9 %
Technology and development	16.4 %	17.5 %	17.2 %	18.4 %
Marketing and advertising	12.0 %	11.3 %	12.8 %	12.0 %
Customer care	13.3 %	13.7 %	14.1 %	13.8 %
General and administrative	10.9 %	11.7 %	14.2 %	12.6 %
Depreciation and amortization	9.9 %	10.8 %	9.8 %	11.1 %
Total costs and operating expenses	97.5 %	101.9 %	103.7 %	105.8 %
Operating income (loss)	2.5 %	(1.9)%	(3.7)%	(5.8)%
Interest expense	(3.6)%	(6.5)%	(4.6)%	(6.0)%
Loss on debt extinguishment	— %	— %	(1.8)%	— %
Other income (expense), net	— %	0.4 %	0.1 %	— %
Loss before income taxes	(1.1)%	(8.0)%	(10.0)%	(11.8)%
Benefit (provision) for income taxes	(0.2)%	0.3 %	(0.1)%	0.3 %
Net loss	(1.3)%	(7.7)%	(10.1)%	(11.5)%
Less: net loss attributable to non-controlling interests	(0.7)%	— %	(3.7)%	— %
Net loss attributable to GoDaddy Inc.	(0.6)%	(7.7)%	(6.4)%	(11.5)%

Revenue

We generate substantially all of our revenue from sales of product subscriptions, including domain registrations, 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. Revenue is presented net of refunds.

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.

The following table presents our revenue during the three and nine months ended September 30, 2015 and 2014 :

	Three Months Ended				Nine Months Ended				
	September 30,		Change		September 30,		Change		
	2015	2014	\$	%	2015	2014	\$	%	
(\$ in millions)									
Domains	\$ 215.0	\$ 194.6	\$ 20.4	10%	\$ 622.7	\$ 564.1	\$ 58.6	10%	
Hosting and presence	150.8	131.5	19.3	15%	436.5	369.9	66.6	18%	
Business applications	45.3	30.8	14.5	47%	122.7	81.6	41.1	50%	
Total revenue	\$ 411.1	\$ 356.9	\$ 54.2	15%	\$ 1,181.9	\$ 1,015.6	\$ 166.3	16%	

The following table reflects the impact of purchase accounting to our total revenue during the three and nine months ended September 30, 2015 and 2014 :

Impact of purchase accounting:	Three Months Ended				Nine Months Ended				
	September 30,		Change		September 30,		Change		
	2015	2014	\$	%	2015	2014	\$	%	
(in millions)									
Total revenue	\$ 411.1	\$ 356.9	\$ 54.2	15%	\$ 1,181.9	\$ 1,015.6	\$ 166.3	16%	
Impact of purchase accounting on revenue	2.0	4.2	6.8	15.5%	6.8	15.5	15.5	15.5%	
Total revenue excluding impact of purchase accounting ⁽¹⁾	\$ 413.1	\$ 361.1	\$ 52.0	14.7%	\$ 1,188.7	\$ 1,031.1	\$ 157.6	15.2%	

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

Total revenue increased \$54.2 million , or 15.2% , from \$356.9 million for the three months ended September 30, 2014 to \$411.1 million for the three months ended September 30, 2015 and increased \$166.3 million , or 16.4% , from \$1,015.6 million for the nine months ended September 30, 2014 to \$1,181.9 million for the nine months ended September 30, 2015. These increases were primarily driven by growth in total customers and ARPU.

Total customers increased 1.1 million , or 8.8% , from 12.5 million as of September 30, 2014 to 13.6 million as of September 30, 2015 . The increase in customers impacted each of our revenue lines, as the additional customers purchased subscriptions across our product portfolio. Domains under management increased 4.3% from 58.4 million as of September 30, 2014 to 60.9 million as of September 30, 2015 , impacting domains revenue for both periods presented.

Domains

Domains revenue increased \$20.4 million , or 10.5% , from \$194.6 million for the three months ended September 30, 2014 to \$215.0 million for the three months ended September 30, 2015 . The increase was primarily attributable to a \$12.3 million increase in revenue from domain registrations and renewals and a \$6.3 million increase in revenue from aftermarket domain sales.

Domains revenue increased \$58.6 million , or 10.4% , from \$564.1 million for the nine months ended September 30, 2014 to \$622.7 million for the nine months ended September 30, 2015 . The increase was primarily attributable to a \$45.6 million increase in revenue from domain registrations and renewals and a \$11.0 million increase in revenue from aftermarket domain sales.

Hosting and presence

Hosting and presence revenue increased \$19.3 million , or 14.7% , from \$131.5 million for the three months ended September 30, 2014 to \$150.8 million for the three months ended September 30, 2015 . The increase was primarily attributable to a \$11.7 million increase in revenue from our website hosting and website building products and a \$5.2 million increase in revenue from sales of our security products.

Hosting and presence revenue increased \$66.6 million , or 18.0% , from \$369.9 million for the nine months ended September 30, 2014 to \$436.5 million for the nine months ended September 30, 2015 . The increase was primarily attributable to a \$38.1 million increase in revenue from our website hosting and website building products and a \$17.2 million increase in revenue from sales of our security products.

Business applications

Business applications revenue increased \$14.5 million , or 47.1% , from \$30.8 million for the three months ended September 30, 2014 to \$45.3 million for the three months ended September 30, 2015 and increased \$41.1 million , or 50.4% , from \$81.6 million for the nine months ended September 30, 2014 to \$122.7 million for the nine months ended September 30, 2015 . These increases were primarily driven by our offering of expanded email and productivity solutions and increased customer adoption of our business applications products.

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 terms of 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 increase our 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.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Cost of revenue (excluding depreciation and amortization)	\$ 144.0	\$ 131.7	\$ 12.3	9%	\$ 420.9	\$ 384.6	\$ 36.3	9%

Cost of revenue increased \$12.3 million , or 9.3% , from \$131.7 million for the three months ended September 30, 2014 to \$144.0 million for the three months ended September 30, 2015 . This increase was primarily attributable to a \$6.4 million increase in domain registration costs driven by the 4.3% increase in domains under management as well as higher costs associated with new gTLD registrations, a \$3.9 million increase in software licensing fees primarily related to increased sales of our email and productivity solutions and a \$1.4 million increase in payment processing fees due to the overall bookings increase.

Cost of revenue increased \$36.3 million , or 9.4% , from \$384.6 million for the nine months ended September 30, 2014 to \$420.9 million for the nine months ended September 30, 2015 . This increase was primarily attributable to a \$21.9 million increase in domain registration costs driven by the 4.3% increase in domains under management as well as higher costs associated with new gTLD registrations, a \$7.5 million increase in software licensing fees primarily related to increased sales of our email and productivity solutions and a \$3.8 million increase in payment processing fees due to the overall bookings increase.

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.

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Technology and development	\$ 67.5	\$ 62.4	\$ 5.1	8%	\$ 202.8	\$ 187.4	\$ 15.4	8%

Technology and development expenses increased \$5.1 million , or 8.2% , from \$62.4 million for the three months ended September 30, 2014 to \$67.5 million for the three months ended September 30, 2015 . The increase was primarily attributable to a \$3.0 million increase in compensation-related costs for our technology and development employees (including a \$1.7 million increase in equity-based compensation) and a \$2.0 million increase in technology-related professional fees to support our internal development team and expedite delivery of product enhancements to our customers.

Technology and development expenses increased \$15.4 million , or 8.2% , from \$187.4 million for the nine months ended September 30, 2014 to \$202.8 million for the nine months ended September 30, 2015 . The increase was primarily attributable to an \$8.7 million increase in compensation-related costs for our technology and development employees (including a \$5.3 million increase in equity-based compensation), a \$2.6 million increase in data center rent related to the continued growth of our business, a \$2.5 million increase in software maintenance and support costs 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.

Marketing and advertising

Marketing and advertising expenses represent the costs associated with attracting and acquiring customers, primarily consisting of fees paid to third parties for marketing and advertising campaigns across 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 new product introductions and the growth of our international operations.

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Marketing and advertising	\$ 49.3	\$ 40.2	\$ 9.1	23%	\$ 150.8	\$ 121.7	\$ 29.1	24%

Marketing and advertising expenses increased \$9.1 million , or 22.6% , from \$40.2 million for the three months ended September 30, 2014 to \$49.3 million for the three months ended September 30, 2015 . The increase was primarily attributable to increased advertising spend driven by increased online, search engine and television campaigns.

Marketing and advertising expenses increased \$29.1 million , or 23.9% , from \$121.7 million for the nine months ended September 30, 2014 to \$150.8 million for the nine months ended September 30, 2015 . The increase was primarily attributable to increased advertising spend driven by increased online, search engine, television, social media and radio campaigns.

Customer care

Customer care expenses represent 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.

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Customer care	\$ 54.8	\$ 48.9	\$ 5.9	12%	\$ 167.2	\$ 140.6	\$ 26.6	19%

Customer care expenses increased \$5.9 million , or 12.1% , from \$48.9 million for the three months ended September 30, 2014 to \$54.8 million for the three months ended September 30, 2015 . The increase was primarily due to a \$5.2 million increase in compensation-related costs, primarily driven by increased average headcount.

Customer care expenses increased \$26.6 million , or 18.9% , from \$140.6 million for the nine months ended September 30, 2014 to \$167.2 million for the nine months ended September 30, 2015 . The increase was primarily due to a \$24.7 million increase in compensation-related costs, primarily driven by increased average headcount, as well as incremental costs associated with the continued 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, 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.

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.

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
General and administrative	\$ 44.6	\$ 41.8	\$ 2.8	7%	\$ 167.6	\$ 127.5	\$ 40.1	31%

General and administrative expenses increased \$2.8 million , or 6.7% , from \$41.8 million for the three months ended September 30, 2014 to \$44.6 million for the three months ended September 30, 2015 due to immaterial increases in a variety of general expenses associated with the overall growth of our business.

General and administrative expenses increased \$40.1 million , or 31.5% , from \$127.5 million for the nine months ended September 30, 2014 to \$167.6 million for the nine months ended September 30, 2015 . Excluding the termination payments discussed above, general and administrative expenses increased \$10.4 million , or 8.2% , from \$127.5 million for the nine months ended September 30, 2014 to \$137.9 million for the nine months ended September 30, 2015 , primarily due to a \$5.2 million increase in compensation-related costs driven by increased average headcount.

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. Depreciation and amortization may increase or decrease in absolute dollars in future periods depending on our future level of capital investments in hardware and other equipment as well as amortization expense associated with future acquisitions.

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Depreciation and amortization	\$ 40.6	\$ 38.5	\$ 2.1	5%	\$ 116.4	\$ 113.0	\$ 3.4	3%

There were no material changes in depreciation and amortization expense between the periods presented.

Interest expense

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2015	2014	\$	%	2015	2014	\$	%
	(\$ in millions)							
Interest expense	\$ 14.6	\$ 23.1	\$ (8.5)	(37)%	\$ 54.7	\$ 61.3	\$ (6.6)	(11)%

Interest expense decreased \$8.5 million , or (36.8)% , from \$23.1 million for the three months ended September 30, 2014 to \$14.6 million for the three months ended September 30, 2015 , primarily driven by interest savings resulting from our repayment of the Senior Note in April 2015.

Interest expense decreased \$6.6 million , or (10.8)% , from \$61.3 million for the nine months ended September 30, 2014 to \$54.7 million for the nine months ended September 30, 2015 , primarily driven by interest savings resulting from our repayment of the Senior Note in April 2015, partially offset by increased borrowings from the May 2014 Term Loan refinancing.

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, which consisted of 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 financing 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;
- make a payment totaling \$316.0 million to repay the Senior Note;
- make a payment of \$75.0 million to repay all amounts drawn on the 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 may include working capital needs, sales and marketing activities, solution and platform development, general and administrative matters 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 have no remaining obligations under the Senior Note and its repayment will result in annual interest savings of \$27.0 million.

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. Borrowings under the Credit Facility bear interest at a rate equal to, at our option, either (a) LIBOR (not less than 1.0% for the Term Loan only) plus 3.25% per annum or (b) 2.25% per annum plus the highest of (i) the Federal Funds Rate plus 0.5% , (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0% .

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 real and personal property.

The Credit Facility contains covenants restricting, among other things, our ability to incur indebtedness, issue certain types of equity, incur liens, enter into fundamental changes including mergers and consolidations, sell assets, make restricted payments including dividends, distributions and investments, prepay junior indebtedness and engage in operations other than in connection with acting as a holding company, subject to customary exceptions. 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 September 30, 2015 , we were in compliance with all such covenants.

Cash Flows

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

	Nine Months Ended September 30, 2015	
	2015	2014
	(in millions)	
Net cash provided by operating activities	\$ 198.1	\$ 154.9
Net cash used in investing activities	(88.8)	(80.8)
Net cash provided by (used in) financing activities	79.5	(24.5)
Effect of exchange rate changes on cash and cash equivalents	(0.1)	—
Net increase in cash and cash equivalents	<u>\$ 188.7</u>	<u>\$ 49.6</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 \$43.2 million from \$154.9 million during the nine months ended September 30, 2014 to \$198.1 million during the nine months ended September 30, 2015, primarily due to a \$16.2 million increase in cash resulting from net changes in working capital and a \$15.4 million improvement in our operating loss. Excluding the \$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, our operating loss improved by \$45.1 million. The primary driver of the increase in net changes from working capital was a \$33.6 million increase in accrued expenses primarily resulting from the timing of payroll and employee benefit payments between the periods presented, partially offset by an \$11.1 million decrease in prepaid expenses and other current assets.

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.

Net cash used in investing activities increased \$8.0 million from \$80.8 million during the nine months ended September 30, 2014 to \$88.8 million during the nine months ended September 30, 2015. This increase was primarily due to a \$22.5 million purchase of intangible assets, partially offset by a \$10.0 million decrease in cash paid for business acquisitions and a \$7.1 million decrease in capital expenditures.

Financing Activities

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

Net cash from financing activities increased \$104.0 million from \$24.5 million used in financing activities during the nine months ended September 30, 2014 to \$79.5 million provided by financing activities during the nine months ended September 30, 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. These increases were partially offset by an increase in the repayment of long-term debt of \$378.3 million, long-term debt borrowings of \$338.8 million in 2014 and a \$5.1 million increase in payments made for financing-related costs.

Deferred Revenue

Deferred revenue consists of our sales for products not yet recognized as revenue at the end of a period. Our deferred revenue as of September 30, 2015 was \$1,412.5 million, and is expected to be recognized as revenue as follows:

	Remainder of 2015	2016	2017	2018	2019	Thereafter	Total
	(in millions)						
Domains	\$ 187.0	\$ 358.6	\$ 111.0	\$ 54.1	\$ 33.0	\$ 45.6	\$ 789.3
Hosting and presence	127.8	222.0	80.2	29.7	10.6	7.8	478.1
Business applications	41.1	70.3	20.1	7.0	3.4	3.2	145.1
	<u>\$ 355.9</u>	<u>\$ 650.9</u>	<u>\$ 211.3</u>	<u>\$ 90.8</u>	<u>\$ 47.0</u>	<u>\$ 56.6</u>	<u>\$ 1,412.5</u>

Off-Balance Sheet Arrangements

As of September 30, 2015 and December 31, 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. 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 evaluate our critical accounting estimates, assumptions and judgments on an ongoing basis.

Other than as summarized below, there have been no material changes in our critical accounting policies from those previously reported and disclosed in our prospectus dated March 31, 2015, filed with the SEC in accordance with Rule 424(b) of the Securities Act on April 1, 2015.

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, 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.

Payable to Related Parties Pursuant to the TRAs

Concurrent with the completion of the IPO, we became a party to the TRAs. The TRAs provide for the payment by us to the Reorganization Parties and the Continuing LLC Owners of approximately 85% of the amount of the calculated tax savings, if any, we will realize due to the Investor Corp Mergers and any future exchanges of LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock.

In the Investor Corp Mergers, we acquired the OBAs created when the Reorganization Parties acquired their original LLC Units. These OBAs entitle us to the depreciation and amortization previously allocable to the Reorganization Parties. To the extent this depreciation and amortization is used to reduce our taxable income, thereby resulting in actual tax savings, we will be required to pay the Reorganization Parties approximately 85% of such savings. The liability under the TRAs will be adjusted through general and administrative expenses each period based on changes in anticipated future taxable income.

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 significant portion of these specially allocated deductions related to the original OBAs. These deductions are allowed prior to our utilization of any net operating loss or tax credit carryforward against income taxes. Accordingly, at the completion of the Reorganization Transactions and the IPO, we recorded an initial liability of \$170.4 million payable to the Reorganization Parties under the TRAs, representing approximately 85% of the calculated tax savings based on the portion of the OBAs we anticipate being able to utilize in future years. 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 net operating loss carryforwards, also increasing the deferred tax assets described above as these excess deductions are realized. 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 and our consolidated results of operations.

We expect to obtain an increase in our share of the tax basis of Desert Newco's assets when the Continuing LLC Owners exchange LLC Units (together with the corresponding shares of Class B common stock) for Class A common stock. When we acquire LLC Units from the Continuing LLC Owners, we expect both the OBAs and the anticipated basis adjustments will increase, for tax purposes, our depreciation and amortization deductions, reducing the amount of future income tax we would otherwise be required to pay. This increase in tax basis will create additional deferred tax assets and additional liability under the TRAs of approximately 85% of the calculated tax savings for the expected use of these additional deductions. The increase in tax basis may also decrease gains, or increase losses, on future dispositions of certain assets to the extent tax basis is allocated to those assets.

As a result of the Reorganization Transactions and the IPO, we acquired LLC Units and were required to recognize deferred tax assets and liabilities for the difference between the financial reporting and tax basis of our investment in Desert Newco at the investor level.

Recent Accounting Pronouncements

For information on recent accounting pronouncements, see Note 2 to our financial statements appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and variable interest rates.

Foreign Currency Risk

A portion of our bookings, revenue and operating expenses are denominated in foreign currencies, which are subject to exchange rate fluctuations. Our most significant foreign currency exposures are the Euro, the British pound, the Indian rupee and the Canadian dollar. Our reported bookings, revenues and operating results may be impacted by fluctuations in foreign currency exchange rates. Fluctuations in foreign currency exchange rates may also cause us to recognize transaction gains and losses in our consolidated statement of operations; however, to date, such amounts have not been material. As our international operations grow, our exposure to fluctuations in currency rates may increase, which may increase the costs associated with our international expansion. For example, during the nine months ended September 30, 2015, total bookings in constant currency would have been approximately \$40 million higher. Constant currency is calculated by translating bookings for each month in 2015 using the foreign currency exchange rate for the corresponding month in 2014, excluding any hedging gains realized during the period.

In the third quarter of 2015, we started to utilize foreign exchange forward contracts to manage the volatility of our bookings and revenue related to foreign currency transactions. These forward contracts reduce, but do not eliminate, the impact of adverse currency exchange rate fluctuations. We designate these forward contracts as cash flow hedges for accounting purposes. Changes in the intrinsic value of these hedges are recorded as a component of accumulated other comprehensive income and are amortized to revenue to offset the hedged exposure. At September 30, 2015, all such amounts were immaterial.

Interest Rate Sensitivity

Interest rate risk reflects our exposure to movements in interest rates associated with our borrowings. Borrowings under the Credit Facility bear interest at a rate equal to, at our option, either (a) LIBOR (not less than 1.0% for the Term Loan only) plus 3.25% per annum or (b) 2.25% per annum plus the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the Prime Rate or (iii) one-month LIBOR plus 1.0%. Borrowings under the Term Loan were \$1,086.3 million as of September 30, 2015. The effect of a hypothetical 10% change in interest rates would not have had a material impact on our interest expense.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our CEO and CFO concluded that, as of September 30, 2015, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended September 30, 2015 that materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

We are currently subject to litigation incidental to our business, including patent infringement litigation and trademark infringement claims, as well as other litigation of a non-material nature. Although the results of the lawsuits, claims and proceedings in which we are involved cannot be predicted with certainty, we do not believe the final outcome of these matters will have a material adverse effect on our business, financial condition or results of operations.

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

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our prospectus dated March 31, 2015, filed with the SEC on April 1, 2015.

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

In October 2015, we issued 30,877 shares of Class A common stock pursuant to net exercises of outstanding warrants at per share exercise prices of \$7.44. The shares were issued in reliance on an exemption from registration under Section 4(a)(2) under the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

SIGNATURES

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

Date: November 5, 2015

GODADDY INC.

/s/ Scott W. Wagner

Scott W. Wagner
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
31.1 *	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 **	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Filed herewith.
**	The certifications attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of GoDaddy Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**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 Quarterly Report on Form 10-Q of GoDaddy Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

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 Quarterly Report on Form 10-Q of GoDaddy Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

By: /s/ Scott W. Wagner

Scott W. Wagner

Chief Financial Officer and Chief Operating Officer

(Principal Financial Officer)

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

I, Blake J. Irving, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of GoDaddy Inc. for the fiscal quarter ended September 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: November 5, 2015

By: /s/ Blake J. Irving

Blake J. Irving
Chief Executive Officer
(Principal Executive Officer)

I, Scott W. Wagner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of GoDaddy Inc. for the fiscal quarter ended September 30, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of GoDaddy Inc.

Date: November 5, 2015

By: /s/ Scott W. Wagner

Scott W. Wagner
Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer)