2019

Annual Report

ENDURANCE
International Group

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International Group

Endurance International Group Holdings, Inc. (NASDAQ:EIGI) helps millions of small businesses worldwide with products and technology to enhance their online web presence, email marketing, business solutions, and more. The Endurance family of brands includes: Constant Contact, Bluehost, HostGator, and Domain.com, among others. Headquartered in Burlington, Massachusetts, Endurance employs over 3,700 people across the United States, Brazil, India and the Netherlands.

For more information, visit: www.endurance.com.

DEAR FELLOW SHAREHOLDERS

Dear fellow shareholders:

In 2019 we made substantial strategic and operational progress across our two scale businesses, digital marketing and web presence. We reported revenue of $1.1 billion and adjusted EBITDA of $313.6 million. We ended the year with approximately 4.8 million subscribers on platform. Cash from operations was $162.0 million, which includes net proceeds of $48.8 million from our sale of SinglePlatform in the fourth quarter. Free cash flow was $114.7 million and we ended the year with net debt of approximately $1.6 billion.

During the year we continued to increase our investment in our market-leading brands, which include Constant Contact, Bluehost, HostGator, and Domain.com. Our guiding principle is to deliver increasing customer value to create increasing customer success. As a scale service provider to the small business marketplace, we know our customers need simplification, guidance, and access to expertise. Our investments to date have delivered improvements to the user experience along with enhanced solution options to customers of our strategic brands. Our focus in 2020 is to continue to add customers that take advantage of our solution strategy across every aspect of their journey.

Operationally in 2019, we made significant progress simplifying our business. During the year, we began our move to a two-segment operating structure which allows our teams to focus on the transformation of our two strategic businesses. In web presence, we increased focus on providing value to customers that begin their journey with the purchase of a domain. In addition, we integrated engineering and marketing teams across the globe to increase focus on growing our market-leading website hosting brands, Bluehost and HostGator. In digital marketing, we expanded our solution set under the Constant Contact brand to include website builder, domain purchase, logo creation and ecommerce capabilities. We also continued to add small business marketing services, integrating our market-leading email platform with social media and advertising solutions.

As a scale service provider, we are positioned to participate in the growth of the large and dynamic SMB digital services marketplace. In 2019, we added over a million new customers to our strategic brands and we remain focused on converting our progress into sustained revenue growth.

The progress we are making is a result of the commitment that our 3,700 employees demonstrate in their day-to-day execution. Their contributions increase the value of the company every day—for our customers, our shareholders and fellow employees.

I would like to thank our shareholders for their support. We believe that our focus on increasing customer value to increase customer success will continue to build a strong foundation for growth and shareholder value creation. We look forward to a successful 2020.

Yours very truly,

Jeffrey H. Fox
President and Chief Executive Officer

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019
OR

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

For the transition period from to
Commission File Number: 001-36131

Endurance International Group Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**46-3044956**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

10 Corporate Drive,	**Suite 300**	
Burlington,	**Massachusetts**	**01803**
(Address of principal executive offices)		**(Zip Code)**

(781) 852-3200
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	EIGI	The Nasdaq Global Select Market

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

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

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

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

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

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

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

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

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

The aggregate market value of common stock held by non-affiliates of the registrant based on the closing price of the registrant's common stock as reported on the Nasdaq Global Select Market on June 28, 2019, was $354,539,270.

As of February 10, 2020, there were 147,690,582 shares of the registrant's common stock, $0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2020 Annual Meeting of Stockholders, which the registrant intends to file pursuant to Regulation 14A with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements, other than statements of historical fact, contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The words “anticipate,” “may,” “believe,” “predict,” “potential,” “continue,” “could,” “should,” “contemplate,” “can,” “estimate,” “intend,” “likely,” “would,” “project,” “seek,” “target,” “might,” “plan,” “strategy,” “expect,” and similar expressions or variations are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. This Annual Report on Form 10-K includes, among other things, forward-looking statements regarding our future results, growth and financial position, including, without limitation, statements about:

- our 2020 operating plan, including our plans to deliver increased valued to customers and to simplify our operations;
- our plans to invest during 2020 in engineering and development and marketing efforts for our strategic brands, and the anticipated impact or results of such investments;
- trends in our cost of revenue and gross profit;
- our expectations regarding impairments of goodwill and other intangible assets;
- our expectations regarding cash flow from operations, adjusted EBITDA and free cash flow;
- the impact of laws and regulations that affect our business; and
- the impact of competition.

These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to a number of risks, uncertainties and assumptions. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make as a result of a number of important factors. These important factors include our “critical accounting policies and estimates” described in Part II, Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates* and the factors set forth in Part I, Item 1A, *Risk Factors* and elsewhere in this Annual Report on Form 10-K. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, and we expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of any new information, events, circumstances or otherwise.

As used in this Annual Report on Form 10-K, the terms “Endurance,” “the Company,” “we,” “us,” and “our” mean Endurance International Group Holdings, Inc. and its subsidiaries unless the context indicates otherwise.

Part I

ITEM 1. Business

We are a leading provider of cloud-based platform solutions designed to help small- and medium-sized businesses, or SMBs, succeed online. We serve approximately 4.8 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses. In addition to for-profit businesses, our subscribers include non-profit organizations, community groups, bloggers, and hobbyists. Although we provide our solutions through a number of brands, we are focusing our marketing, engineering and product development efforts on a small number of strategic assets, including our Constant Contact, Bluehost, HostGator, and Domain.com brands.

From fiscal year 2017 through the end of fiscal year 2019, we have reported our business results in three reportable segments, as follows:

Web Presence. Our web presence segment consists primarily of our web hosting brands, including Bluehost and HostGator. This segment also includes related products such as domain names, website security, website design tools and services, and e-commerce products.

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products. This segment also generates revenue from sales of our Constant Contact-branded website builder tool and our Ecomdash inventory management and marketplace listing solution, or Ecomdash, which we acquired in the third quarter of 2019. For most of 2019, the email marketing segment also included the SinglePlatform digital storefront business, which we sold on December 5, 2019.

Domain. Our domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with our domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to our web presence segment.

In the second half of 2019, we started the process of simplifying our organization to support our two key strategic platforms, web presence (including our web hosting and domain offerings) and email marketing. In 2020, we plan to modify our internal reporting structure to reflect these changes in our structure and leadership, and also to change the name of the email marketing segment to the "digital marketing" segment. This will result in consolidation of our current domain segment into our web presence segment, such that we expect to report our financial results in two segments - web presence (including domains) and digital marketing - beginning with the first quarter of 2020.

You can find more information about our reportable segments in Note 21, *Segment Information*, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Our Market, Products and Services

SMBs represent a large and diverse market, both in the United States and internationally. According to the U.S. Small Business Administration, there were approximately 30.7 million small businesses in the United States in 2016. Of these small businesses, approximately 24.8 million were non-employer firms, or companies that do not have paid employees. In addition, in 2015, the International Labour Organization of the United Nations estimated that there were between 420 and 510 million small and medium-sized enterprises (defined as one to 250 employees) worldwide.

Many SMBs have limited technological and marketing expertise, time and financial resources. However, we believe SMBs understand that the Internet and the proliferation of mobile devices are changing the way consumers discover and transact with businesses, making an effective online presence critical.

We provide our products and services through two strategic platforms: web presence (which consists of the web presence and domain segments) and email marketing (which corresponds to our email marketing segment). Our offerings, which consist of both proprietary applications and third-party products, are designed to help SMBs succeed online at every stage of their business.

Web Hosting. By providing a set of core products that combine storage, bandwidth and processing power, our entry-level shared hosting services enable subscribers to create an initial web presence quickly and cost-effectively. Our shared hosting packages offer several options for building a website, including our website builder (discussed below) and a variety of Wordpress hosting packages.

In addition to providing shared hosting services, we also provide virtual private server, or VPS, hosting and dedicated hosting solutions. As a subscriber’s business expands and the demands on its website increase, these more customizable and higher performance solutions allow our subscribers to build additional functionality into their websites, offer high bandwidth content and drive more commerce and marketing activities while reducing load times and increasing site speeds. Subscribers can start with an advanced web hosting solution or upgrade from an existing shared hosting service.

Website Builder. Our website builder tool allows customers to quickly create a customized, professional-looking website. Users of our website builder can also take advantage of our logomaker tool, which generates a range of customizable business logos that can be automatically integrated into websites and email marketing templates, and a range of other products to promote their business, such as an email marketing tool powered by Constant Contact, search engine marketing, search engine optimization, and Google My Business.

Domain Registration, Management and Resale. As an accredited domain registrar with approximately 11.3 million domains under management at December 31, 2019, we enable our subscribers to search and purchase available domain names from a wide spectrum of domain registries. We also offer domain privacy, which allows customers to register a domain name without publicly listing their name and contact information, and domain protection, which helps customers avoid inadvertently failing to renew a domain name due to outdated credit card or contact information. In addition, we maintain a portfolio of premium domains that are available for resale.

Email Marketing. Our Constant Contact email marketing solutions allow small businesses and other organizations to easily create, send and track professional-looking email campaigns, allowing them to communicate effectively with their customers and potential customers via email. Email marketing services available to subscribers include building and segmenting mailing lists, designing and managing email newsletters, scheduling and sending email messages, and reporting and tracking the results of each campaign. We also provide a library of third party integrations that allow subscribers to easily import, sync, and manage their contacts from external databases, manage events online, and conduct surveys. Our subscribers can also take advantage of our website builder tool and Constant Contact Marketing Advisor, which allows them to speak live by phone or online chat with a marketing advisor to get the guidance they need.

E-commerce Enablement. We offer products that enable our subscribers to sell their products and services online, including secure and encrypted payments, shopping carts, inventory management, online marketplace listing solutions, payment processing and related services and mobile payments. We also feature products that help our subscribers maximize their sales opportunities, including segmentation tools that allow email marketing campaigns to target specific categories of shoppers, and customized “buy now” pages that can be embedded into an email newsletter.

Security. We offer malware protection solutions to help our subscribers safeguard their websites from viruses, malicious code and other threats, as well as web application firewalls, which can help prevent attacks on subscriber websites before they affect subscriber data or operations. We also offer Secure Socket Layer, or SSL, certificates that encrypt data collected on a website, for subscribers that collect personally identifiable information or other private data from their customers and website visitors. We provide a free basic SSL certificate to substantially all of our web hosting, domain and website builder customers, and we offer premium SSL packages for customers seeking additional features.

Site Back-Up. We offer backup control solutions that enable subscribers to schedule, maintain, manage and restore backups of their online data and websites.

Search Engine Optimization (SEO) and Search Engine Marketing (SEM). We offer a variety of search engine optimization and marketing solutions that can improve a subscriber’s ability to be discovered by potential customers. These services help a subscriber distribute its business profile to online directories and manage links and keywords with on-page diagnostic tools. We also offer pay-per-click (PPC) services designed to direct traffic to a subscriber’s website.

Mobile. We offer solutions that allow our subscribers to have their websites and email marketing campaigns rendered on mobile devices and target mobile customers for their businesses, among other features and functionality. Our website builder solutions offer mobile-ready templates, which enable small businesses to ensure that their websites render well on desktops, laptops, tablets, and smartphones. Subscribers can also manage their websites and email marketing campaigns while on the go, both through mobile browsers and native apps.

Social Media. We offer tools and services that help our subscribers to communicate effectively with their customers and potential customers through social networks and to coordinate their website and email marketing efforts with their social media presence.

Productivity Solutions. We offer our subscribers a range of leading business productivity tools, including Microsoft Office 365 and G Suite by Google Cloud. These tools include, among others, professional email, word processing and presentation software, online storage, shared calendars, and video meetings.

Analytics. We offer control panels and dashboards that provide our subscribers with tools to analyze activity on their websites.

Professional Services. We offer professional services for subscribers who want additional assistance establishing and growing their online presence, including website design, marketing services (including assistance with search engine optimization and search engine marketing), social media management services, and website migration services.

Sales & Marketing

Although we operate through numerous brands, we are focusing our marketing expenditures on our strategic brands, which include Constant Contact, Bluehost, HostGator and Domain.com.

For our web presence segment, the majority of our program marketing expense has historically been associated with targeted online search marketing, including for inclusion of our brands in online directories, and with payments to our large network of referral partners, who drive subscribers to us on a paid referral basis. Payments to our referral partners primarily occur after a subscriber signs up on our platform and therefore allow us to readily determine the returns on our marketing spend. We also attract new subscribers through word-of-mouth referrals and through partnerships that help us reach additional subscribers, such as our partnerships with Google and WordPress.

For our email marketing segment, we market our products and acquire our customers through a variety of sources, including online marketing, such as search engines and advertising on social media, YouTube, and other websites, offline marketing through television and radio advertising, partner relationships, outbound sales efforts, referrals from our customer base, general brand awareness and a link to our website in the footer of substantially all of the emails sent by our customers. We have partner relationships with over 10,000 local and national small business service providers. These partners refer customers to us through links on their websites and outbound promotions to their customers or allow us to market to their customers directly. Our online, television, and radio advertising is designed to educate potential customers about our email marketing solutions and raise awareness of our brand.

For our domain segment, we use a combination of online search marketing and a network of referral partners, as well as joint marketing efforts with registries of various generic top level domain names, such as ".com", aimed at increasing subscribers.

Subscriber Support

Our support agents assist our subscribers via phone, email, chat and social media. Our support personnel not only assist subscribers with technical issues, but also focus on understanding the business goals of each subscriber to help identify the right products and services to achieve those goals. Our primary support centers are located in Arizona, Colorado, Massachusetts, Texas, Brazil and India. In addition, we have third-party support arrangements in India, the Philippines and China.

Technology Platform and Infrastructure

The primary technology platforms supporting our web presence and domain segments combine open source and proprietary software, and are based on a scalable architecture that allows us to operate with a large number of subscribers per server. In addition, we use subscriber relationship management, billing and subscriber service support systems to on-board, serve and track our subscribers, and to enable them to manage their own service experience. We currently serve most of our web presence and domain subscribers from five U.S.-based data centers, one of which is owned by us and the rest of which are co-located.

For our most of email marketing segment, we use a central application and a single software code base with unique accounts for each subscriber. As a result, we are able to spread the cost of providing our products across our email marketing customer base. In addition, because we have one central application, we believe we are able to scale our business to meet increases in demand for our products. We own all of the hardware deployed in support of our platform. Our production system hardware and the disaster recovery hardware for our production system are co-located in third-party hosting facilities in Massachusetts and Texas.

Our website builder and our Ecomdash inventory management and marketplace listing solution are hosted on public cloud services.

Subscriber Profile

As of December 31, 2019, we had approximately 4.8 million subscribers, of which approximately 3.6 million were web presence subscribers, 0.5 million were email marketing segment subscribers and 0.7 million were domain segment subscribers. Based on data from a 2018 survey of subscribers of our major web presence brands, we believe a majority of our web presence subscribers are SMBs, most of whom are businesses with five or fewer employees. We estimate that over 70% of subscribers of our email marketing segment employ 25 or fewer employees.

The industries in which our subscribers operate are very diverse, including retail, restaurants, professional services, non-profits, merchandising, media, recreation, education, construction, health, beauty and wellness, and arts and entertainment, among others. In addition to for-profit businesses, our subscribers include non-profit organizations, community groups, bloggers, and hobbyists.

Geographical Information

We currently maintain offices and conduct operations primarily in the United States, Brazil, India, and the Netherlands. We also have third-party support arrangements in India, the Philippines, and China. For additional information about our geographic areas, see Note 22, *Geographic and Other Information,* to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Competition

The global cloud-based services market for SMBs is highly competitive and constantly evolving. For our web presence and domain segments, we expect continued competition, both domestically and internationally, from a number of sources, including the following:

- competitors in the domain, hosting and website builder markets such as GoDaddy, Ionos by 1&1, Wix, Squarespace, Weebly (now owned by Square), and Web.com;
- Wordpress.com and Wordpress-focused hosting companies such as WPEngine and SiteGround;
- e-commerce, payments, email marketing, and marketing automation companies that are expanding their offerings to include website builders or other web presence offerings;
- cloud hosting providers; and
- large companies like Amazon, Microsoft and Google, which offer web hosting or website builders, domain registration and other cloud-based services, and Facebook, which offers an Internet marketing platform.

For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused email marketing vendors, as well as additional competition from providers of marketing automation software and web presence competitors who are expanding their offerings to include email marketing functionality.

Competitors in each of our segments are expanding their offerings into adjacent products and services in order to provide a more comprehensive set of business solutions for SMBs, and in some cases, companies that previously competed with us in one of our segments are now competing with us in most or all of them. In addition, marketing automation, ecommerce, payments and other online services companies that have not competed with us in the past are expanding into our market by providing website builder and email marketing tools, and by enhancing offerings tailored for SMBs.

We believe the principal competitive factors in the cloud-based services market for SMBs include: ease of use and effectiveness; availability of integrated, comprehensive solutions; product functionality, performance and reliability; customer service and support; brand awareness and reputation; affordability; and product scalability. In some instances, we have commercial partnerships with companies with which we also compete.

See Part I, Item IA, *Risk Factors* for additional discussion of competition as it pertains to our business.

Seasonality

Our web presence and domain segments have historically experienced moderately increased subscriber billings in the first quarter of our fiscal year as many subscribers start businesses at the beginning of a new year. These segments record a significant portion of these billings as deferred revenue and recognize the deferred revenue throughout the course of the year and beyond based on the term of the applicable subscription. This slight seasonality has a favorable impact on our operating cash flows in the early part of each fiscal year, and an unfavorable impact in the latter part of each fiscal year. We expect that this seasonality will continue.

Intellectual Property and Proprietary Rights

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

We use open source technologies pursuant to applicable licenses as the basis for our technology platform. We have also developed, acquired or licensed proprietary technologies for use in our business. As of January 15, 2020, we have eighteen U.S. patents as well as one pending U.S. patent application and several pending foreign counterpart applications relating to aspects of our technology platform and offerings, including our shared services architecture, predictive analytics methods, virtualization technologies, subscriber migration technologies, web presence improvement technologies, and email composition and editing technologies. We believe the duration of our patents is adequate relative to the expected lives of the technologies they cover.

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

We have non-disclosure, confidentiality and license agreements with employees, contractors, subscribers and other third parties, which limit access to and use of our proprietary information; however, unauthorized disclosure of our confidential information or proprietary technologies by our employees or third parties could still occur. In addition, unauthorized third parties may attempt to copy, reverse engineer or otherwise obtain access to our proprietary rights. The risk of unauthorized use of our proprietary and intellectual property rights may increase as we expand outside of the United States.

Third-party infringement claims are also possible in our industry, especially as functionality and features expand, evolve and overlap across industries. Third parties, including non-practicing patent holders, have claimed, and could claim in the future, that our processes, technologies or websites infringe patents they now hold or might obtain or that might be issued in the future. See Part I, Item 1A, *Risk Factors* for additional discussion about the substantial costs that we could incur as a result of any claim of infringement of another party’s intellectual property rights.

Laws and Regulations

Advertising and promotional information presented on our websites, in our products, and in our other marketing and promotional activities are subject to federal and state consumer protection laws regulating unfair and deceptive acts or practices. U.S. federal, state, and foreign legislatures have also adopted laws and regulations regulating numerous other aspects of our business. Regulations relating to the Internet, including laws governing user privacy and data protection, unsolicited commercial email (spam), and online content and liability for third-party online activities, are particularly relevant to our business. Such laws and regulations are discussed below and in Part I, Item 1A, *Risk Factors*.

Consumer Protection Laws. We are subject to consumer protection laws and regulations that regulate our marketing practices and/or prohibit unfair or deceptive acts or practices, including under the auspices of the U.S. Federal Trade Commission, or FTC; the Telephone Consumer Protection Act, or TCPA; the Telemarketing Sales Rule; and state consumer protection statutes. These laws and regulations require, among other things, certain disclosures or functionality in our brand websites, customer communications, and the ordering process for our products; obtaining customer consent prior to placing sales calls or sending text messages to wireless numbers; and compliance with “do not call” or “do not contact” laws or requests from individuals. We are also subject to consumer protection laws outside of the United States, which may include privacy and data protection laws, telemarketing laws, regulation of cloud services, e-commerce and distance selling regulation, advertising regulation, unfair competition rules or similar legislation.

Privacy and Data Protection. We collect personally identifiable information and other data from our subscribers and prospective subscribers, as well as from their customers and contacts. We use this information to provide services to our subscribers, to support, expand and improve our business and (subject to each subscriber’s or prospective subscriber’s, or their customers' or contacts', right to decline or opt out) we may use this information to market other products and services to them or to assist our subscribers in marketing their own products and services to their customers and contacts. We may also share subscribers’ personally identifiable information with certain third parties as directed by the subscriber or as described in our privacy notice. In addition, the data we collect from or about our employees as part of our standard human resources procedures is also subject to various laws and regulations in the jurisdictions where we operate, including evolving California laws and EU laws on data export.

The U.S. federal and various state and foreign governments have adopted or proposed guidelines or rules for the collection, distribution, use and storage of information collected from or about consumers or their devices. The FTC and various U.S. state and local governments and agencies regularly use their authority under laws prohibiting unfair or deceptive marketing and trade practices to investigate and penalize companies for practices related to the collection, use, handling, disclosure, dissemination and security of personal data of U.S. consumers. For example, California recently adopted the California Consumer Privacy Act, or CCPA, which became effective on January 2, 2020 and can be enforced by the Attorney General as of July 1, 2020. The CCPA, among other things, requires covered companies to provide new disclosures to California consumers and offer them new abilities to opt-out of certain sales of personal information, as well as to request access to or deletion of their personal information. The law also affords consumers qualified rights to seek liquidated penalties if unauthorized parties gain access to their unredacted, unencrypted personally identifiable information by reason of our failure to adopt and maintain reasonable security measures. Further legislative changes in California, or in other U.S. states, are under consideration. In this highly dynamic legislative, regulatory, and litigation environment, we cannot yet predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies in varying ways across our business and brands, and to incur substantial costs and expenses in an effort to comply, or if we become subject to governmental enforcement or private party litigation.

In addition, several foreign countries and governmental bodies, including the countries of the European Union, or EU, Canada, and Brazil, have adopted data protection laws and regulations different from and more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, export, disclosure and security of personal data that identifies or may be used to identify an individual, such as names, contact information, and, in some jurisdictions, certain unique identifiers. These laws and regulations are subject to revisions and differing interpretations, and have generally become more stringent over time. Furthermore, additional countries and other jurisdictions are considering the adoption of similar laws and regulations.

In May 2018, the EU-wide General Data Protection Regulation, or GDPR, took effect. The GDPR implemented more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, increased requirements to erase an individual's information upon request and comply with other requests from individuals, mandatory data breach notification requirements, restrictions on automated decision-making and profiling, and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR has also imposed more stringent consent requirements related to cookies and similar technologies. Penalties under the GDPR are significant: fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be imposed. Moreover, under certain circumstances, we may be considered liable for non-compliance by our third-party partners with the GDPR or other privacy laws and regulations.

Anti-SPAM Laws. We are subject to the U.S. Controlling the Assault of Non Solicited Pornography and Marketing Act of 2003, or CAN-SPAM Act, which establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to source or content. The CAN-SPAM Act, among other things, obligates the sender of commercial emails to provide recipients with the ability to opt out of receiving future emails from the sender, and carries significant penalties for violations. In addition, some states and countries have passed laws regulating commercial email practices that are significantly more punitive and difficult to comply with than the CAN-SPAM Act, such as Canada's Anti-Spam Legislation, or CASL, and the GDPR. These types of laws are particularly significant for our email marketing segment.

Laws Relating to Online Content and Liability for Third Party Activities. Our role as a provider of cloud-based solutions, including website hosting services, domain registration services and email marketing, may subject us to potential liability for the activities of our subscribers on or in connection with their websites or domain names or for the data they store on or send using our servers. Although our subscriber terms of use prohibit illegal use of our services by our subscribers and permit us to take down websites or take other appropriate actions for illegal use, subscribers may nonetheless engage in prohibited activities or upload, transmit or store content with us in violation of applicable law, third-party rights, or the subscriber's own policies, which could subject us to liability. Several U.S. federal statutes apply to us with respect to various subscriber activities:

- The Digital Millennium Copyright Act of 1998, or DMCA, provides recourse for owners of copyrighted material who believe that their rights under U.S. copyright law have been infringed on the Internet. Under the DMCA, based on our current business activity as an online service provider that does not monitor, own or control website content posted by our subscribers, we generally are not liable for copyright infringing content posted by our subscribers or other third parties, provided that we follow the procedures for handling copyright infringement claims set forth in the DMCA. Generally, if we receive a proper notice from, or on behalf of, a copyright owner alleging infringement of copyrighted material located on websites we host, and we fail to expeditiously remove or disable access to the allegedly infringing material or otherwise fail to meet the requirements of the safe harbor provided by the DMCA, the copyright owner may seek to impose liability on us.
- The Communications Decency Act of 1996, or CDA, generally protects interactive computer service providers such as us, from liability for certain online activities of their customers, such as the publication of defamatory or other objectionable content. As an interactive computer services provider, we do not monitor hosted websites or prescreen the content placed by our subscribers on their sites. Accordingly, under the CDA, we are generally not responsible for the subscriber-created content hosted on our servers. However, the CDA does not apply in foreign jurisdictions, and legislation such as the Allow States and Victims to Fight Online Sex Trafficking Act of 2017, or FOSTA, as well as new legislation that may be enacted in the future, may reduce the immunity provided to us by the CDA.
- In addition to the CDA, the Securing the Protection of our Enduring and Established Constitutional Heritage Act, or the SPEECH Act, provides a statutory exception to the enforcement by a U.S. court of a foreign judgment that is less protective of free speech than the United States. Generally, the exception applies if the law applied in the foreign court did not provide at least as much protection for freedom of speech and press as would be provided by the First Amendment of the U.S. Constitution or by the constitution and law of the state in which the U.S. court is located, or if no finding of a violation would be supported under the First Amendment of the U.S. Constitution or under the constitution and law of the state in which the U.S. court is located. Although the SPEECH Act may protect us from

the enforcement of foreign judgments in the United States, it does not affect the enforceability of the judgment in the foreign country that issued the judgment.

See Part I, Item 1A, *Risk Factors* for more information about our legal and regulatory risks.

Employees

As of December 31, 2019, we had 3,762 employees, including 1,786 in support and network operations, 766 in sales and marketing, 747 in engineering and development, and 463 in general and administrative. Excluded from our employee figures are approximately 1,500 individuals primarily located in India and the Philippines who are directly employed by third parties and perform a range of services for us, including email-, phone- and chat-based customer and technical support, billing support, network monitoring and engineering and development services. Most of our employees are based in the United States. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We have never experienced a strike or similar work stoppage, and we consider our relations with our employees to be good.

Corporate Information

Our business was founded in 1997 as a Delaware corporation under the name Innovative Marketing Technologies Incorporated. In December 2011, investment funds and entities affiliated with Warburg Pincus and Goldman, Sachs & Co. acquired a controlling interest in our company. Prior to our initial public offering, or IPO, in October 2013, we were an indirect wholly owned subsidiary of WP Expedition Topco L.P., a Delaware limited partnership that we refer to as WP Expedition Topco. Pursuant to the terms of a corporate reorganization that we completed prior to our IPO, WP Expedition Topco dissolved and in liquidation distributed the shares of common stock of Endurance International Group Holdings, Inc. to its partners in accordance with the limited partnership agreement of WP Expedition Topco. We have completed numerous acquisitions since inception, including the acquisition of Constant Contact, Inc. in February 2016.

Our principal executive offices are located at 10 Corporate Drive, Suite 300, Burlington, Massachusetts 01803 and our telephone number at that address is (781) 852-3200.

Information Available on the Internet

We maintain an Internet website at www.endurance.com, and we also operate a number of other websites. The information on, or that can be accessed through, any of our websites is not incorporated by reference into this Annual Report on Form 10-K and should not be considered to be a part of this Annual Report on Form 10-K. Our website address is included in this Annual Report on Form 10-K as inactive textual reference only. Our reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports, are accessible through our website, free of charge, as soon as reasonably practicable after these reports are filed electronically with, or otherwise furnished to, the Securities and Exchange Commission, or the SEC. We also make available on our website the charters of our audit committee, compensation committee and nominating and corporate governance committee, as well as our corporate governance guidelines and our code of business conduct and ethics. In addition, we intend to disclose on our website any amendments to, or waivers from, our code of business conduct and ethics that are required to be disclosed pursuant to SEC rules.

Form 10-K

ITEM 1A. Risk Factors

Our business, financial condition, results of operations and future growth prospects could be materially and adversely affected by the following risks or uncertainties. The risks and uncertainties described below are those that we have identified as material, but they are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions, as well as other risks not currently known to us or that we currently consider immaterial. If any of such risks and uncertainties actually occurs, our business, financial condition, results of operations and growth prospects could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report on Form 10-K and in our other public filings.

Risks Related to Our Business and Our Industry

We may not be able to add new subscribers, retain existing subscribers or increase sales to existing subscribers, which could adversely affect our operating results.

Our growth is dependent on our ability to continue to attract and acquire new subscribers while retaining existing subscribers and expanding the products and services we sell to them. Growth in the demand for our products and services may be inhibited, and we may be unable to grow our subscriber base, for a number of reasons, including, but not limited to:

- our failure to develop or offer new or enhanced products and services in a timely manner that keeps pace with new technologies, competitor offerings, the current industry trend toward comprehensive, integrated web presence and marketing automation solutions, and the evolving needs of our subscribers;
- difficulties providing or maintaining a high level of subscriber satisfaction, which could cause our existing subscribers to cancel their subscriptions or stop referring prospective subscribers to us;
- increases in our subscriber churn rates or our failure to convert subscribers from introductory, discounted products to full priced solutions;
- perceived or actual security, availability, integrity, privacy, reliability, quality or compatibility problems with our solutions, including related to unscheduled downtime, outages or network security breaches;
- our inability to maintain awareness of our brands, including due to fragmentation of our marketing efforts due to our historical approach of maintaining a portfolio of multiple brands rather than focusing our resources on a single brand or a few brands;
- continued or increased competition in the SMB market, including greater marketing efforts or investments by our competitors in advertising and promoting their brands or in product development;
- changes in search engine ranking algorithms or in search terms used by potential subscribers; or
- our inability to market our solutions in a cost-effective manner to new subscribers or to our existing subscribers due to changes in regulation, or changes in the enforcement of existing regulation, that would affect our marketing or pricing practices.

Due to these or other reasons, we may not be able to maintain positive subscriber growth in the future, which could have a material adverse effect on our business and financial results.

We must keep up with rapid and ongoing technological change, marketing trends and shifts in consumer demand to remain competitive in a rapidly evolving industry.

The cloud-based technology and online marketing solution industries are characterized by rapid and ongoing technological change, frequent new product and service introductions and new market entrants, and evolving industry standards. Our methods for marketing to our subscribers and potential subscribers must keep pace with technological change, legal requirements, market trends, and shifts in how our solutions are found, purchased and used by subscribers. For example, application marketplaces, mobile platforms, ecommerce tools, voice-activated technology, and greater availability of web presence and email marketing tools from ecommerce, payments and marketing automation companies are changing the way consumers find, purchase and use our solutions. Our future success will depend on our ability to adapt to rapidly changing technologies and evolving industry standards and to anticipate subscriber needs and preferences. If we are not able to offer innovative and comprehensive solutions, take advantage of new technology, adapt our marketing practices or anticipate changing trends, we may be unable to continue to attract new subscribers or sell additional solutions to our existing subscribers. In addition, if existing technologies or systems, such as the domain name system that directs traffic on the Internet, become less relevant due to changing technologies, or if we fail to anticipate and manage technologies that harm or reduce consumer demand for our offerings, our revenue and operating results may be adversely affected.

We face significant competition for our solutions in the SMB market, which we expect will continue to intensify. As a result of such competitive pressures, we may not be able to maintain or improve our competitive position or market share.

The SMB market for cloud-based technologies and online marketing tools is highly competitive and constantly evolving. Some of our competitors have greater marketing, engineering, product development and other resources, more brand recognition and consumer awareness, more scalable, more comprehensive or better integrated product offerings, greater international scope or larger subscriber bases than we do, or may partner with large Internet companies that can offer these resources. As a result, we may not be able to compete successfully against them. Our competitive position may also be challenged by new market entrants (both new companies and established companies expanding their product offerings or target customers), since there are relatively few barriers to entry in our market.

We have faced and expect to continue to face intense competition in our web presence and domain segments, both domestically and internationally, from a number of sources, including the following:

- competitors in the domain, hosting and website builder markets such as GoDaddy, Ionos by 1&1, Wix, Squarespace, Weebly (now owned by Square), and Web.com;
- Wordpress.com and Wordpress-focused hosting companies such as WPEngine and SiteGround;
- e-commerce, payments, email marketing, and marketing automation companies that are expanding their offerings to include website builders or other web presence offerings;
- cloud hosting providers; and
- large companies like Amazon, Microsoft and Google, which offer web hosting or website builders, domain registration and other cloud-based services, and Facebook, which offers an Internet marketing platform.

For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused email marketing vendors, as well as additional competition from providers of marketing automation software and web presence competitors who are expanding their offerings to include email marketing functionality.

Competitors in each of our segments are expanding their offerings into adjacent products and services in order to provide a more comprehensive set of business solutions for SMBs. In some cases, companies that previously competed with us in one of our segments are now competing with us in most or all of them, as email marketing providers begin to offer website builders, and vice versa. In addition, marketing automation, ecommerce, payments and other online services companies that have not competed with us in the past are expanding into our market by providing website builder and email marketing tools, and by enhancing offerings tailored for SMBs. As a result of these changes, SMBs now have a broader range of “entry points” for establishing an online presence, and may choose to do so through an e-commerce, payments, or marketing solutions provider that provides a website builder, hosting or email marketing as part of a “bundled” solution, rather than starting with a domain name or hosting account.

In addition, our competitors have and may continue to offer price discounts or alternative pricing models for the products and services they offer, such as "freemium" pricing in which a basic offering is provided for free with advanced features provided for a fee. Some of our competitors have used the freemium model successfully to drive both free and paid subscriber growth. Although we do have freemium offerings, they are not extensive, which could put us at a disadvantage relative to these competitors with respect to subscriber growth. In addition, we sometimes need to match our competitors' discounts or the commissions they pay to referral sources in order for our products to remain competitive, which could reduce our margins.

Our business and operations are complex due to our history of acquisitions and organizational change, which has and may continue to result in operational and other challenges.

As a result of acquisitions and internal growth, we increased our revenue from $741.3 million in the year ended December 31, 2015 to $1.1 billion in the year ended December 31, 2019. During this time period, we completed numerous acquisitions, including the acquisition of the Directi web presence business in January 2014, which expanded our international operations, and the acquisition of Constant Contact in February 2016.

Due to our history of acquisitions, we offer our products and services through numerous brands that operate from different websites, control panels, billing systems, information technology and other systems. As a result, compliance assessments, compliance-related changes, roll-outs of new products and platform, product and technology upgrades, and changes in business processes often need to be implemented more than once. This level of complexity has sometimes resulted and may continue to result in difficulties maintaining effective internal controls, reliance on manual controls, challenges in maintaining and upgrading our technology platforms, additional compliance costs and risks, product roll-out inefficiencies, and other operational challenges.

In particular, differences across our multiple billing systems have at times made it challenging for us to accurately and consistently determine certain enterprise-wide operational metrics, such as total subscribers. Total subscribers and other operational metrics, which we voluntarily disclose, historically have not been subject to the same level of reporting controls as our financial statements and other financial information we are required to disclose. Also, we have identified in the past, and may in the future identify, errors or bugs in the systems we use to generate operational metrics. We work on an ongoing basis to improve our controls and processes for total subscribers and other operational metrics, but errors and inconsistencies with respect to these metrics could still occur, which could negatively impact our business decisions and lead to inaccurate disclosures.

In addition, as a public company, we are required by the Sarbanes-Oxley Act of 2002 to maintain, evaluate, test and document internal controls over financial reporting, and our multiple brands and systems make this process more complicated and costly than it would be otherwise. Any failure in the effectiveness of our system of internal control over financial reporting could have a material adverse impact on our ability to report our financial statements and/or key financial metrics in an accurate and timely manner and undermine investor confidence in the reliability of our financial statements, key financial metrics, or other public disclosures. Inaccurate and/or untimely financial statements or other disclosures could also subject us to regulatory actions, civil or criminal penalties or stockholder litigation.

Our growth may be adversely affected if we cannot continue to successfully attract, retain and motivate key employees.

Our ability to successfully pursue our growth strategy depends on our ability to attract, retain and motivate key employees across our business, particularly engineering and development employees and our senior executive team. High demand from other technology companies for skilled engineering and technical employees has made and may continue to make it challenging to retain key employees or hire replacements if they leave. In addition, candidates making employment decisions, particularly in high-technology industries, often consider the value of any equity they may receive from prospective employers. As a result, volatility or poor performance in the market price of our common stock, or concerns by potential or current employees about the performance of our stock, has and may continue to contribute to hiring and retention challenges.

We are also limited in our ability to recruit global talent for our U.S. offices by U.S. immigration laws. Work visa restrictions in the U.S. have become tighter in recent years, making it more difficult to source qualified personnel from other countries, and changes in U.S. immigration policies under the current presidential administration may further limit our ability to recruit globally.

Our current executives are not contractually obligated to remain employed by us and may leave at any time. The loss of any of these individuals could significantly delay or prevent the achievement of, or make it more difficult for us to pursue and execute on, our business objectives.

Our inability to attract and retain qualified individuals could have an adverse effect on our ability to carry out our business plans and objectives and, as a result, our ability to compete could decrease and our operating results could suffer.

We have experienced system, software, Internet, data center, network, and customer support center failures in the past. We do not yet have a disaster recovery plan that covers all of our brands, and we do not yet have a complete business continuity program. Any interruptions, delays or failures in our services could harm our reputation, cause us to lose subscribers, or result in unanticipated costs.

We must be able to maintain and operate our applications and systems without interruption. Since our ability to retain and attract subscribers depends on the performance, reliability and availability of our services, as well as on the delivery of our products and services to subscribers, even minor interruptions in our service or losses of data could harm our reputation, particularly if they frequently reoccur. Our applications, network, systems, equipment, power supplies, customer support centers and data centers are subject to various points of failure, including: human error or accidents; improper maintenance and change control; Internet connectivity downtime or disruptions in connectivity between and among systems; computer viruses; physical or electronic security breaches; inadequate systems monitoring; intentional bad acts such as sabotage, hacking, ransomware, vandalism or terrorism; pandemics; and natural disasters.

We have experienced system failures, delays and periodic interruptions in service, or outages, due to factors such as power outages and network equipment, storage system, and network configuration failures. In addition, we have experienced outages or other disruptions in the course of ongoing maintenance or when new versions, enhancements and updates to applications, software or systems are released by us or third parties. We may experience future outages that disrupt the operation of our solutions due to these or other factors.

Our systems supporting our web presence and domain segments are not fully redundant. In 2019, we built out and tested additional redundancies for a significant portion of our hosting subscribers, but we have not yet implemented equivalent redundancies across all of our web presence and domain brands. Although the redundancies we do have in place will permit us to respond, at least to some degree, to failures of applications and systems, our data centers are vulnerable in the event of failure. Most of our web presence subscribers, and a significant portion of our domain subscribers, are hosted across five U.S.-based data centers, one of which is owned by us and the rest of which are co-located, and accordingly, any failure or downtime in these data center facilities would affect a significant percentage of our subscribers. While we have a disaster recovery system that covers most of our email marketing subscribers, it is nonetheless likely to be difficult and time-consuming to recover data and services in the event of a significant outage. We do not yet have adequate structures or systems in place to recover from a data center's severe impairment or total destruction, and recovery from the total destruction or severe impairment of any of our major data centers would be extremely difficult and may not be possible at all. Closing any of these data centers without adequate notice could result in lengthy, if not permanent, interruptions in the availability of our solutions and loss of vast amounts of subscriber data.

Our data centers are also susceptible to impairment resulting from electrical power outages due to the amount of power and cooling they require to operate. Since we rely on third parties to provide our data centers with power sufficient to meet our needs, we cannot control whether our data centers will have an adequate amount of electrical resources necessary to meet our subscriber requirements. We attempt to limit exposure to system downtime due to power outages by using backup generators and power supplies. However, these protections may not limit our exposure to power shortages or outages entirely. We also rely on third parties to provide Internet connectivity to our data centers. If the connectivity these parties provide is discontinued, disrupted, or does not provide adequate data transmission capacity, our ability to provide services to our subscribers could be compromised.

Our customer support centers are also vulnerable in the event of failure caused by total destruction or severe impairment. The teams in each customer support center are trained to provide brand-specific support services for a discrete subset of our brands, which, along with staffing constraints and differences in software systems between our brands, limits our ability to effectively re-route calls, email and chat from one customer support center to another customer support center. Accordingly, if any of our customer support centers were to be impaired or destroyed, our ability to re-route calls, email and chat to operational customer support centers or to provide the type of customer support services that the non-operational customer support center had provided to subscribers of a particular brand or brands may be limited.

Any of these events could materially increase our expenses or reduce our revenue, damage our reputation, cause our subscribers to seek reimbursement for services paid for and not received, cause our subscribers to stop referring new subscribers to us, and cause us to lose current and potential subscribers, which would have a material adverse effect on our operating results and financial condition. Moreover, the cyber, property and business interruption insurance we carry may not have adequate coverage to compensate us fully for losses that may occur.

If we are unable to achieve or maintain a high level of subscriber satisfaction, demand for our solutions could suffer.

We believe that our future revenue growth depends on our ability to provide subscribers with quality service that meets our stated commitments, meets or exceeds our subscribers' evolving needs and expectations and is conducive to our ability to continue to sell new solutions to existing subscribers. We are not always able to provide our subscribers with this level of service, and our subscribers occasionally encounter interruptions in service and other challenges, including as a result of outages, errors or bugs in our software or third-party software, human error, or migrations of subscribers as part of internal platform consolidation efforts. If we are unable to achieve or maintain a high level of subscriber satisfaction, we could experience higher subscriber churn, lower than expected renewal rates, disputes and litigation, or negative publicity, any of which could have a negative effect on our business, financial condition and operating results.

In addition, we may from time to time fail to meet the needs of specific subscribers in order to best meet the service expectations of our overall subscriber base. For example, we may suspend a subscriber's website when it breaches our terms of service, harms other subscribers' websites or disrupts servers supporting those websites, such as when a cybercriminal installs malware on a subscriber's website without that subscriber's authorization or knowledge. Although such service interruptions are not uncommon in a cloud-based or online environment, we risk subscriber dissatisfaction by interrupting one subscriber's service to prevent further attacks on or data breaches for other subscribers, and this could damage our reputation and have an adverse effect on our business.

Security incidents, privacy breaches or fraud may harm our business.

We collect, handle, store and transmit large amounts of sensitive, confidential, personal and proprietary information, including payment card information and information we receive from or maintain on behalf of our subscribers. Unauthorized access to, use of, or loss of this type of information and any compromise of our networks, systems, or applications may cause damage to our platforms, service interruptions to our subscribers, loss of subscriber websites and data, or harm to our reputation and may result in increased security costs, distraction of our management team, litigation, regulatory investigations or other direct or indirect expense or liabilities. These types of incidents can result from numerous sources, including: physical or electronic security breaches; viruses, ransomware or other malware; hardware vulnerabilities; accident or human error by our own personnel or those of our partners; criminal activity or malfeasance (including by our own personnel); fraud or impersonation scams perpetrated against us; or security events impacting our third-party service providers. We have experienced security events such as these in the past and expect they will continue in the future. To date, we do not believe that any of these events has had a material effect on us, but we may experience larger and more serious incidents in the future.

In addition, many states and countries in which we have subscribers have enacted regulations requiring us to notify governmental authorities, regulators and subscribers in the event that certain systems are compromised, or subscriber information is accessed or acquired (or believed to have been accessed or acquired) without authorization, and in some cases also develop proscriptive policies to protect against such unauthorized access or acquisition. Such notifications can result in private causes of action being filed against us, or government investigations into the adequacy of security controls or handling of any security event. Should we experience a loss of protected data or a disruption in the availability or integrity of our services or data we store for subscribers, efforts to respond to the incident and enhance our controls, as well as potential penalties imposed by regulators or damages awarded to private plaintiffs, could increase our costs.

Organizations generally, and Internet-based organizations in particular, are vulnerable to targeted attacks aimed at exploiting network and system applications or weaknesses, causing damage or disruption, or obtaining ransom payments. Techniques used to obtain unauthorized access to, or to sabotage, networks and systems often are not recognized until launched against a target. Cyber criminals use advanced and quickly-evolving tactics, including evasive applications, proxies, tunneling, encryption techniques, vulnerability exploits, buffer overflows, distributed denial of service attacks, or DDoS attacks, and botnets. For example, from time to time we are targeted by DDoS attacks in which attackers attempt to block access to our websites or our subscribers' websites, as well as attempts to place illegal or abusive content on our or our subscribers' websites. If we are unable to avert a DDoS or other attack for any significant period, we could sustain substantial revenue loss from lost sales and subscriber dissatisfaction.

Cyber-attacks may target us, our subscribers, our partners, banks, credit card processors, delivery services, e-commerce in general or the communication infrastructure on which we depend. As security threats evolve and become more sophisticated and more difficult to detect and defend against, a hacker or thief may defeat our security measures, or those of our third-party service providers, partners, or vendors, and obtain confidential or personal information. We or the third party may not discover the security breach and theft of information for a significant period of time after the breach occurs. We may need to expend significant resources to protect against security breaches and thefts of data or to address problems caused by breaches or thefts, and we may not be able to, or may fail to, anticipate cyber-attacks or implement adequate preventative measures. In addition, we rely on third parties to provide physical security for our facilities, including data centers. Any physical breach of security could result in unauthorized access or damage to our systems.

Our employees, including our employee and contract support agents are often targeted by, and may be vulnerable to a variety of social engineering attacks, such as e-mail scams, phishing, and/or similar attack tactics used to perpetrate fraud. We have experienced and may in the future experience security attacks that cause our support agents to divulge confidential information about us or our subscribers, or to introduce viruses, worms or other malicious software programs onto their computers, allowing the perpetrators to, among other things, gain access to our systems or our subscribers’ accounts. Our subscribers have in the past, and may in the future, use weak passwords, accidentally disclose their passwords or store them on a mobile device that is lost or stolen, or otherwise compromise or fail to ensure the security of their data, creating the perception that our systems are not secure against third-party access when their accounts are compromised and used maliciously by third parties. In addition, if third parties with which we work, such as vendors, partners or developers, violate applicable laws or our policies or disclose our confidential information due to human error or technical issues, such violations or incidents may also put our information and our subscribers’ information at risk and could in turn have an adverse effect on our business and reputation.

If an actual or perceived security breach occurs, the market’s perception of our security measures could be harmed and we could lose sales and current and potential subscribers. In addition, in the past, security specialists or "white hat" hackers have found and publicized security vulnerabilities in our platforms, and this may occur again in the future. This type of publicity could harm our reputation, even if we correct the vulnerabilities before they have actually been exploited. We might also be required to expend significant capital and resources to investigate, protect against or address breaches and remediate vulnerabilities. Any significant violations of data security could result in the loss of business, litigation and regulatory investigations and penalties that could damage our reputation and adversely affect our operating results and financial condition. Furthermore, if a high profile security breach occurs with respect to another provider of cloud-based technologies or online marketing tools, our subscribers and potential subscribers may lose trust in the security of these business models generally, which could harm our ability to retain existing subscribers or attract new ones. We cannot guarantee that any backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future, will be adequate to prevent network and service interruption, system failure, damage to one or more of our systems or data loss in the event of a security breach or attack on our network.

If we do not maintain a low rate of credit card chargebacks, protect against breach of the credit card information we store and comply with payment card industry standards, we will face the prospect of financial penalties and could lose our ability to accept credit card payments from subscribers, which would have a material adverse effect on our business, financial condition and operating results.

A majority of our revenue is processed through credit card transactions. Under current credit card industry practices, we are liable for fraudulent and disputed credit card transactions because we do not obtain the cardholder’s signature at the time of the transaction, even though the financial institution issuing the credit card may have authorized the transaction. Although we attempt to keep our rate of credit card refunds and chargebacks low, our credit card processors have in the past and could in the future impose fines on us as a result of increased refunds and chargebacks. In addition, if our refunds or chargebacks increase in the future, our credit card processors could require us to maintain or increase reserves, increase our processing fees, terminate their contracts with us or decline to serve as credit card processors for new joint ventures or brands, which would have an adverse effect on our financial condition.

We could also incur significant fines or lose our ability to process payments using credit cards if we fail to follow payment card industry data security standards, or PCI DSS, even if there is no compromise of subscriber information. In the past, we have identified control gaps in our adherence to PCI DSS in certain of our brands, and any failure to achieve or maintain compliance with PCI DSS across our various brands could have negative consequences. In this event, we may incur financial penalties, our payment networks may increase the processing fees they charge to us, or we may lose our ability to process credit cards, any of which could have a material adverse effect on our financial results. In addition, we may have difficulty negotiating competitive rates with payment networks for as long as the noncompliance persists.

From time to time, fraudulent transactions conducted on our websites (such as through the use of stolen credit card numbers) have been above levels consistent with credit card association guidelines. This has sometimes resulted, and may in the future result, in third-party audit requirements and additional expense to change our processes to reduce fraud. It could also subject us to liability or require us to increase reserves with our credit card processors. Under credit card association rules, penalties may be imposed at the discretion of the association. Any such potential penalties would be imposed on our credit card processors by the credit card association. Under our contracts with our credit card processors, we are required to reimburse the credit card processors for such penalties. Although we believe that our current level of fraud monitoring is adequate, we face the risk that we may fail to maintain an adequate level of fraud monitoring in the future, or that one or more credit card associations may, at any time, assess penalties against us or terminate our ability to accept credit card payments from subscribers, which would have a material adverse effect on our business, financial condition and operating results.

In addition, we could be liable if there is a breach of the credit card or other payment information we store. Online commerce and communications depend on the secure transmission of confidential information over public networks. We rely on encryption and authentication technology that we have developed internally, as well as technology that we license from third parties, to provide security and authentication for the transmission of confidential information, including subscriber credit card numbers. However, we cannot ensure that this technology can prevent breaches of the systems that we use to protect subscriber credit card data. Although we maintain network security insurance, we cannot be certain that our coverage will cover, in whole or in part, liabilities actually incurred or that insurance will continue to be available to us on reasonable terms, or at all. In addition, some of our third-party partners also collect information from transactions with our customers, and we may be subject to litigation or our reputation may be harmed if our partners fail to protect our subscribers' information or if they use it in a manner that is inconsistent with our practices.

Data breaches can also occur as a result of non-technical issues. Under our contracts with our card processors, if there is unauthorized access to, or disclosure of, credit card information that we store, we could be liable to the credit card issuing banks for their cost of issuing new cards and related expenses.

Our quarterly and annual operating results may be adversely affected due to a variety of factors, which could make our future results difficult to predict and could cause our operating results to fall below investor or analyst expectations.

Our quarterly and annual operating results and key metrics have varied from period to period in the past, and we expect they may continue to fluctuate as a result of a number of factors, a number of which are outside of our control, including:

- our ability to cost-effectively attract, retain, and increase sales to subscribers;
- the impact of competition;
- the timing and success of introductions of new products or product enhancements;
- the amount and timing of our marketing expenditures;
- the amount and timing of capital expenditures or extraordinary expenses, such as litigation, regulatory or other dispute-related settlement payments;
- the mix of products we sell;
- higher than expected refunds to our subscribers;
- systems, data center and Internet failures, breaches and service interruptions;
- negative publicity about us or our brands;
- loss of key employees or difficulties recruiting new employees;
- the impact of changes in legislation or regulations, or to interpretations of existing legislation and regulations;
- litigation or governmental enforcement actions against us due to actual or alleged failures to comply with applicable laws or regulations;
- failures to comply with industry standards such as the payment card industry data security standards;
- changes in our effective tax rate, our misinterpretation of domestic and international tax laws and regulations, or adverse outcomes from regulatory examinations of our income tax and other tax returns;
- interest rate fluctuations;
- goodwill and other intangible asset impairments;

- terminations of, disputes with, or material changes to our relationships with third-party partners; and
- costs, integration problems, or other liabilities associated with past or future acquisitions, strategic investments or joint ventures.

Our financial or operating results in future reporting periods may fall below the expectations of the public market, investors, or analysts due to one or more of the factors above or for other reasons, which could cause our stock price to decline substantially.

Our business depends on establishing and maintaining strong brands. If we are not able to effectively promote our brands, or if the reputation of our brands is damaged, our ability to expand our subscriber base will be impaired and our business and operating results will be harmed.

We market our solutions through various brands, including our key brands Bluehost, HostGator, Domain.com, and Constant Contact.

We believe that establishing and maintaining our key brands is critical to our efforts to expand our subscriber base. If we do not build awareness of our key brands, we could be at a competitive disadvantage to companies whose brands are, or become, more recognizable than ours. For instance, we believe that our business has been, and may continue to be, affected by the increasing tendency of consumers to search for web presence and online marketing solutions using brand related search terms as opposed to unbranded search terms such as hosting, website builders or email marketing. We believe this trend has benefited competitors who have invested more heavily than we have in building brand awareness, and who have used a broader array of marketing channels to do so, in contrast to our historical focus on marketing through online advertising, online directories, and referral partners.

To attract and retain subscribers and to promote and maintain our brands in response to competitive pressures, we may have to substantially increase our financial commitment to creating and maintaining brand loyalty among subscribers. Improving our brand awareness may be challenging because we have multiple key brands rather than a single flagship brand, and because a number of our competitors have invested heavily in their brands in the past and may be able to devote more resources than we can to brand awareness going forward.

In addition, if subscribers, as well as our third-party referral marketing, distribution and reseller partners, do not perceive our existing solutions to be reliable and of high quality, if we introduce new services or enter into new business ventures that are not favorably received by such parties, or if our brands become associated with any fraudulent or deceptive conduct on the part of our subscribers, the value of our brands could be diminished, thereby decreasing the attractiveness of our solutions to such parties. As a result, our operating results may be adversely affected by decreased brand recognition and harm to our reputation.

The rate of growth of the SMB market for our solutions could be significantly lower than our estimates. The success of our products depends on the expansion and reliability of the Internet infrastructure and the continued growth and acceptance of email as a communications tool. If demand for our products and services does not meet expectations, our ability to generate revenue and meet our financial targets could be adversely affected.

The rate of growth of the SMB market may not meet our expectations, which would adversely affect our business. Our expectations for future revenue trends are based in part on assumptions reflecting our industry knowledge and experience serving SMBs, as well as our assumptions regarding demographic shifts, growth in the Internet infrastructure internationally and macroeconomic conditions. However, SMB spending patterns are difficult to predict and are sensitive to the general economic climate, the economic outlook specific to SMBs and overall consumer confidence, which makes it difficult to forecast market trends accurately. If any of our assumptions regarding the SMB market proves to be inaccurate, our revenue could be significantly lower than expected.

Our ability to compete depends on our ability to offer products and services that enable our subscribers to establish, manage and grow their businesses. Our web presence and commerce offerings are predicated on the assumption that an online presence will continue to be an important factor in our subscribers' abilities to establish, expand, manage and monetize their businesses affordably. If we are incorrect in this assumption, for example due to the introduction of a new technology or industry standard (or evolution of existing technology such as social media or voice assistant software) that supersedes the importance of an online presence or renders our existing or future solutions obsolete, then our ability to retain existing subscribers and attract new subscribers could be adversely affected, which could harm our ability to generate revenue and meet our financial targets.

The future success of our email marketing solution depends on the continued widespread use of email as a primary means of communication. Security problems such as viruses, worms, and other malicious programs, reliability issues arising from outages and damage to the Internet infrastructure, or publicity about leaked emails of high-profile users could create the perception that email is not a safe and reliable means of communication. Use of email by businesses and consumers also depends on the ability of email providers to prevent unsolicited bulk email, or "spam," from overwhelming consumers' inboxes. If security problems become widespread or frequent or if email providers cannot effectively control spam, the use of email as a means of communication may decline as consumers find alternative ways to communicate. We could also be harmed if, in an attempt to limit unsolicited email, email providers restrict or limit emails sent by our customers using our email marketing solution. In addition, if alternative communications tools, such as social media, or ephemeral or text messaging, continue to gain widespread acceptance, the need for email may decrease. Any of these events could materially increase our expenses or reduce demand for our email marketing solution and harm our business.

Our success depends in part on our strategic relationships and partnerships or other alliances with third parties.

We rely on third-party relationships and alliances, such as with referrers and promoters of our brands and solutions, as well as with our providers of solutions and services that we offer to subscribers. If any of the third parties on which we rely fails to perform as expected, breaches or terminates their agreement with us, or becomes engaged in a dispute with us, our reputation could be adversely affected and our business could be harmed.

We rely on third-party referral partners and other marketing partners to acquire subscribers. If these partners fail to promote our brands or to refer new subscribers to us, begin promoting competing brands in addition to or instead of ours, fail to comply with regulations, are forced to change their marketing practices in response to new or existing regulations or cease to be viewed as credible sources of information by our potential subscribers, we may face decreased demand for our solutions, higher than expected subscriber acquisition costs, and loss of revenue. For instance, in the past, we were impacted when an important referral source began featuring competing web hosting brands on their website, rather than just our brand. It is possible that in the future, this referral source or another, similar referral source will continue to add competing web hosting options or even remove us as an option, which could have a negative impact on us.

Our ability to offer domain name services to our subscribers depends on certain third-party relationships. For example, certain of our subsidiaries are accredited by ICANN and various domain name registries as a domain name registrar. If we fail to comply with domain name registry requirements, or if domain name registry requirements change, we could lose our accreditation, be required to increase our expenditures, comply with additional requirements or alter our service offerings, any of which could have a material adverse effect on our business, financial condition or results of operations. In addition, the requirements of ICANN and other domain registries are not consistent with some aspects of the GDPR or other privacy laws, which could make compliance with these requirements infeasible or more costly and complicated than they would be otherwise.

We rely on software licensed from or hosted by third parties to offer certain of our solutions to our subscribers. We also have relationships with product partners whose solutions, including shopping carts and security tools, we integrate with our products and offer to our subscribers. In our web presence segment, we use third party web hosting control panels, which allow our hosting customers to manage their websites, for several of our strategic brands. In our email marketing segment, we rely on some of our partners to create integrations with third-party applications and platforms used by our subscribers. We may be unable to continue our relationship with any of these partners or third parties if, for example, they decline to continue to work with us or are acquired. In such an event, we may not be able to continue to offer these third-party tools to our subscribers or we may be forced to find an alternative that may be inferior to or more costly than the solution that we had previously offered. We currently face, and expect to face from time to time in the future, pricing or other disputes with our third party partners and licensors, which may disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs and/or costs to our customers. Although the results of any such disputes, whether current or future, cannot be predicted with certainty, the final outcome could adversely affect our business, financial condition, and operations.

We may also need to obtain future licenses from third parties to use intellectual property associated with the development of our solutions, which might not be available to us on acceptable terms, or at all. Any loss of the right to use any software or other intellectual property required for the development and maintenance of our solutions could result in delays in the provision of our solutions until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business and operating results.

The international nature of our business exposes us to business risks that could limit the effectiveness of our growth strategy and cause our operating results to suffer.

We currently maintain offices and workforces, and conduct operations, primarily in the United States, Brazil, India and the Netherlands and have third-party support arrangements in India, the Philippines and China. Conducting operations in international markets or establishing international locations subjects us to challenges that we have not generally faced in the United States, including:

- adapting our solutions and marketing practices to international markets, including translation into foreign languages;
- compliance with foreign laws, including more stringent laws in foreign jurisdictions relating to consumer privacy and protection, collection and use of data obtained from individuals and other third parties;

- difficulties in collecting payments from subscribers or in automatically renewing their contracts with us, especially due to the more limited availability and popularity of credit cards in certain countries;
- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- management, communication, compliance and integration problems resulting from cultural or language differences and geographic dispersion;
- sufficiency of qualified labor pools and greater influence of organized labor in various international markets;
- compliance by our employees, business partners and other agents with anti-bribery laws (including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar anti-bribery laws in India, Brazil and other jurisdictions where we do business), economic sanction laws and regulations, export controls, and other U.S., foreign and local laws and regulations regarding international and multi-national business operations;
- potentially adverse tax consequences, including the complexities of foreign value added tax (or sales, service, use or other tax) systems, and our failure to comply with all relevant foreign tax rules and regulations due to our lack of familiarity with the jurisdiction's tax laws or unexpected or aggressive tax positions taken by foreign tax authorities;
- restrictions and withholdings on the repatriation of earnings;
- foreign currency exchange risk;
- uncertain political, regulatory and economic climates in some countries, which could result in unpredictable or frequent changes in applicable regulations or in the general business environment that could negatively impact us; and
- reduced protection for intellectual property rights in some countries.

In addition, our ability to expand internationally and attract and retain non-U.S. subscribers may be adversely affected by concerns about the extent to which U.S. governmental and law enforcement agencies may obtain data about our subscribers, and by privacy laws in other jurisdictions (such as the GDPR) that are generally more protective of subscriber data than U.S. law. Non-U.S. subscribers may decide that the privacy risks of storing data with a U.S.-based company outweigh the benefits and opt to seek solutions from a company based outside of the United States. In addition, certain foreign governments require local storage of their citizens' data. If we become subject to such requirements, it may require us to increase the number of non-U.S. data centers or servers we maintain, increase our costs or adversely affect our ability to attract, retain or cost-effectively serve non-U.S. subscribers.

Acquisitions, joint ventures and other strategic investments may not achieve the intended benefits or may disrupt our current plans and operations.

Acquisitions have historically been an important component of our growth strategy. We have acquired the businesses and assets of numerous other companies, including the acquisition of Constant Contact in February 2016. We have also made strategic investments in and entered into joint ventures with third parties, typically with small companies focused on developing or marketing products that may complement our own. We may complete transactions of this type in the future. These transactions involve numerous risks, including the following:

- difficulties or delays in integrating the acquired businesses, which could prevent us from realizing the anticipated benefits of acquisitions;
- reliance on third parties for transition services prior to subscriber migration;
- difficulties in supporting and migrating acquired subscribers, if any, to our platforms, which could cause subscriber churn, unanticipated costs, and damage to our reputation;
- disruption of our ongoing business and diversion of management and other resources from existing operations;
- the incurrence of additional debt or the issuance of equity securities, resulting in dilution to existing stockholders, in order to fund an acquisition;
- assumption of debt or other actual or contingent liabilities of the acquired company, including litigation risk;
- differences in corporate culture, compliance protocols, and risk management practices between us and acquired companies;
- potential loss of the key employees of an acquired business;
- potential loss of the subscribers or partners of an acquired business due to the actual or perceived impact of the acquisition;
- difficulties associated with governance, management and control matters in majority or minority investments or joint ventures;
- unforeseen or undisclosed liabilities or challenges associated with the companies, businesses or technologies we acquire;
- adverse tax consequences, including exposure of our entire business to taxation in additional jurisdictions; and
- accounting effects, including potential impairment charges and requirements that we record deferred revenue at fair value.

Any of these risks could result in our acquisitions disrupting our business and/or failing to achieve their intended objectives.

We have a history of losses and may not be able to achieve or maintain profitability.

We had a net loss in each year since inception through 2017. Although we reported net income for fiscal year 2018, we reported a net loss for fiscal year 2019 and we may not be able to achieve or maintain profitability in the future. We had a net loss attributable to Endurance International Group Holdings, Inc. of $107.3 million for fiscal year 2017, net income of $4.5 million for fiscal year 2018, and net loss of $12.3 million for fiscal year 2019.

We have made and expect to continue to make significant expenditures to maintain, develop, improve and expand our business, and we may not be able to maintain profitability in light of our expenditure levels. We may incur significant losses in the future if we are unable to increase subscriber and revenue growth to cover these expenditures or for a number of other reasons, including interest expense related to our substantial indebtedness, amortization expense associated with past or potential future acquisitions, and the other risks described in this report.

We are a multinational organization faced with increasingly complex tax issues in many jurisdictions, and if our tax positions are examined by tax authorities, we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization with a digital and Internet-based business, we may be subject to direct and indirect taxation in multiple jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we collect or pay in these jurisdictions could increase substantially with changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on our liquidity and operating results.

Governments are increasingly focused on ways to increase tax revenues, which has contributed to an increase in audit activity and more aggressive positions taken by tax authorities. Any additional taxes or other assessments by tax authorities may be in excess of our current tax provisions or may require us to modify our business practices in order to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, results of operations and financial condition.

Due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. Changes in tax laws, such as tax reform in the United States or changes in tax laws resulting from the Organization for Economic Co-operation and Development’s multi-jurisdictional plan of action to address base erosion and profit shifting, could impact our effective tax rate.

We may need additional equity, debt or other financing in the future, which we may not be able to obtain on acceptable terms, or at all, and any additional financing may result in restrictions on our operations or substantial dilution to our stockholders.

We may need to raise funds in the future, for example, to develop new technologies, expand our business, respond to competitive pressures, acquire businesses, or respond to unanticipated situations. Our ability to obtain debt or equity funding will depend on a number of factors, including market conditions, interest rates, our operating performance, and investor interest. In addition, incurring additional debt may not be permitted under our credit agreement or indenture governing our 10.875% senior notes due 2024 (which we refer to as the "Senior Notes"), or may require lender or noteholder consent. As such, additional funding may not be available to us on acceptable terms or at all.

If adequate funds are not available, we may be required to reduce expenditures, including curtailing our growth strategies, foregoing acquisitions or reducing our product development efforts. If we succeed in raising additional funds through the issuance of equity or convertible securities, then the issuance could result in substantial dilution to existing stockholders. If we raise additional funds through the issuance of debt securities or preferred stock, these new securities would have rights, preferences and privileges senior to those of the holders of our common stock. In addition, any preferred equity issuance or debt financing that we may obtain in the future could have restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. To the extent any such new indebtedness is secured and is at higher interest rates than on our existing first lien term loan facility, the interest rates on our existing first lien term loan facility could increase as a result of the “most-favored nation” pricing provision in our existing credit agreement. Further, to the extent that we incur additional indebtedness or such other obligations, the risks associated with our substantial leverage described elsewhere in this report, including our possible inability to service our debt, would increase.

We rely on data centers to deliver our services. If we are unable to renew our data center agreements on favorable terms, or at all, our business could be adversely affected. In addition, our ownership of our largest data center subjects us to potential costs and risks associated with real property ownership.

We currently serve most of our subscribers from six data center facilities located in Massachusetts (three), Texas (two), and Utah (one). We own the Utah data center and occupy the remaining data centers pursuant to co-location service agreements with third-party data center facilities which have built and maintain the co-located data centers for us and other parties. Although we own the servers in these data centers and engineer and architect the systems upon which our platforms run, we do not control the operation of the facilities we do not own.

The terms of our existing co-located data center agreements vary in length and expire on various dates through 2026. The owners of these or our other co-located data centers have no obligation to continue such arrangements beyond their current terms, nor are they obligated to renew their agreements with us on terms acceptable to us, or at all. These agreements may not provide us with adequate time to transfer operations to a new facility in the event of early termination. If we were required to move our equipment to a new facility without adequate time to plan and prepare for such migration, we would face significant challenges due to the technical complexity, risk and high costs of the relocation. Any such migration could result in downtime or other disruptions to our services, which could damage our reputation, cause subscriber losses and harm our operating results and financial condition.

If we are able to renew the agreements on our existing co-located data center facilities, the lease rates may be higher than those we pay under our existing agreements. In addition, the complexities and risks of data center migrations, even when we have adequate time to plan for them, can sometimes make it impractical to leave our current data center facilities, even when we may be able to obtain economic or other terms with a new data center provider that would be better for us over the long term. If we fail to increase our revenue by amounts sufficient to offset any increases in lease rates for our existing data center facilities, or cannot take advantage of potentially better terms with new data center providers because of migration challenges, our operating results may be materially and adversely affected.

With respect to the data center facility that we own, we are subject to risks, and may incur significant costs, related to our ownership of the facility and the land on which it is located, including costs or risks related to building repairs or upgrades and compliance with various federal, state and local laws applicable to real property owners, including environmental laws.

If our solutions and software contain serious errors or defects, or if human error on our part results in damage to our subscribers' businesses, then we may lose revenue and market acceptance and may incur costs to defend or settle claims.

Complex technology platforms, software applications and systems such as ours often contain errors or defects, such as errors in computer code, vulnerabilities or other systems errors, particularly when first introduced or when new versions, enhancements or updates are released. Because we also rely on third parties to develop many of our solutions, our products and services may contain additional errors or defects as a result of the integration of the third party's product. Despite quality assurance measures, internal testing and beta testing by our subscribers, we cannot guarantee that our current and future solutions will be free of serious defects, which could result in lost revenue or a delay in market acceptance. Such errors in computer code, vulnerabilities or other system errors have in the past and may in the future result in performance issues, loss of data, loss or fraudulent transfers of customer domain names, data breaches, malware outbreaks, DDoS attacks staged by using our resources, and other issues. To date, we do not believe that any of these errors has had a material effect on us, but we may experience larger and more serious incidents in the future.

Since our subscribers use our solutions to, among other things, maintain an online presence for their business, it is not uncommon for subscribers to allege that errors, defects, or other performance problems result in damage to their businesses. They could elect to cancel or not to renew their agreements, delay or withhold payments to us, or bring claims or file suit seeking significant compensation from us for the losses they or their businesses allege to have suffered. For instance, from time to time, we have inadvertently deleted subscriber data due to human error, technical problems or miscommunication with customers. These lost data cases have sometimes led to subscribers commencing litigation against us, settlement payments to subscribers, subscription cancellations, and negative social media attention. Although our subscriber agreements typically contain provisions designed to limit our exposure to specified claims, including data loss claims, existing or future laws or unfavorable judicial decisions could negate or diminish these limitations. Even if not successful, defending against claims brought against us can be time-consuming and costly and could seriously damage our reputation in the marketplace, making it harder for us to acquire and retain subscribers.

Because we are required to recognize revenue for our subscription-based services over the term of the applicable subscriber agreement, changes in our sales may not be immediately reflected in our operating results. In addition, we may not have adequate reserves in the event that our historical levels of refunds increase, which could adversely affect our liquidity and profitability.

We recognize revenue from our subscribers ratably over the respective terms of their agreements with us in accordance with U.S. generally accepted accounting principles. These contracts are generally for service periods of up to 36 months. Accordingly, increases in sales during a particular period do not translate into corresponding increases in revenue during that same period, and a substantial portion of the revenue that we recognize during a quarter is derived from deferred revenue from our agreements with subscribers that we entered into during previous quarters. As a result, we may not generate net earnings despite substantial sales activity during a particular period. Conversely, the existence of substantial deferred revenue may prevent deteriorating sales activity from becoming immediately apparent in our reported operating results.

In connection with our domain registration services, as a registrar, we are required under our agreements with domain registries to prepay the domain registry for the term for which a domain is registered. We recognize this prepayment as an asset on our consolidated balance sheet and record domain revenue and the domain registration expense ratably over the term that a domain is registered. This cash payment to the domain registry may lead to fluctuations in our liquidity that are not immediately reflected in our operating results.

In addition, our standard terms of service permit our subscribers to seek refunds from us in certain instances, and we maintain reserves to provide such refunds. The amount of such reserves is based on the amount of refunds that we have provided in the past. If our actual level of refund claims exceeds our estimates and our refund reserves are not adequate to cover such claims, our liquidity or profitability could be adversely affected. Furthermore, if we experience an unexpected decline in our revenue, we may not be able to adjust spending in a timely manner to compensate for such shortfall, and any significant shortfall in revenue relative to planned expenditures could adversely affect our business and operating results.

We are subject to numerous laws and regulations, including those described in Part I, Item 1, Business under the heading "Laws and Regulations." Our actual or perceived failure to comply with laws and regulations could harm our business, and new or modified laws or regulations could reduce demand for our products or require us to change our products, our operations or our marketing, market research and advertising practices in ways that negatively affect us.

Any failure by us to comply with applicable laws or regulations, including (among others) those described in Part I, Item 1, *Business* may result in a range of negative consequences, including: regulatory investigations; governmental enforcement actions; requirements that we change our marketing or other business practices in a manner unfavorable to us; litigation (including potential class action litigation); fines and penalties; or negative publicity. Any of these consequences could have an adverse effect on our reputation and business.

In addition, compliance with new laws or regulations, or modifications to existing laws or regulations, could impair our ability to retain or attract subscribers, reduce demand for our products, or increase our cost of doing business. For example:

- Anti-spam laws that require that our subscribers' customers have the ability to opt out of receiving commercial emails, or "opt-in" rules that require them to affirmatively elect to receive commercial emails, may reduce the effectiveness of our products and marketing efforts, particularly Constant Contact's email marketing solution.
- Consumer protection laws or regulations requiring us to obtain additional consents from subscribers or to provide them with additional disclosures in order to be permitted to automatically renew their subscriptions, or to automatically enroll them into paid subscriptions after a free trial period, could impair our ability to retain or attract subscribers and increase the potential for civil liability under consumer protection laws.
- Further regulation of cookies, web beacons and similar technology for online behavioral advertising (such as the consent requirements for cookies and similar technologies established by the GDPR or the opt-out requirements established by the CCPA) may lead to broader restrictions on our collection and use of online usage information in order to attract and retain customers. Such regulation may also restrict collection of the data from our subscribers' customers and contacts as well as how we may use this data. This could impair our ability to collect, transfer and/or use information that we use to provide targeted advertising to our subscribers or to assist our subscribers in marketing to their own customers, which could negatively affect our ability to maintain and grow our subscriber base.
- Privacy laws requiring that certain data associated with domain name registration be kept private (including, for example, requirements that prohibit publishing the identity of a party registering a domain name) could reduce our revenue from sales of domain privacy products, since consumers in the jurisdictions where these laws apply would no longer need to purchase these products to maintain the privacy of their data.
- The adoption of any laws or regulations adversely affecting the growth, popularity, accessibility or use of the Internet, including laws impacting Internet neutrality (such as the 2015 repeal of U.S. Internet neutrality regulations) or new tax regulations or court decisions concerning the taxation of online commerce, could decrease the demand for our products, require us to make modifications to our products, or increase our operating costs.

We rely on third parties to carry out a number of services for us, including processing personal data on our behalf. While we enter into contractual arrangements to help ensure that these parties only process such data according to our instructions and have sufficient security measures in place, any security breach or non-compliance with our contractual terms or breach of applicable law by such third parties could result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our subscribers to lose trust in us. In particular, under certain circumstances, we may be considered liable for non-compliance by our third-party partners under the GDPR, the CCPA or other privacy laws and regulations. We also use third parties to provide marketing and advertising of our products and services, and we could be liable for, or face reputational harm as a result of, their marketing practices if, for example, they fail to comply with applicable statutory and regulatory requirements. These or similar instances of noncompliance by our third-party partners could have an adverse impact on our reputation and business.

Failure to adequately protect and enforce our intellectual property rights could substantially harm our business and operating results.

In order to protect our intellectual property, proprietary technologies and processes, we rely upon a combination of trademark, patent and trade secret law, as well as confidentiality procedures and contractual restrictions. These afford only limited protection, may not prevent disclosure of confidential information, and may not provide an adequate remedy in the event of misappropriation or unauthorized disclosure. Despite our efforts to protect our intellectual property rights, unauthorized parties, including employees, subscribers and third parties, have made, and in the future may make, unauthorized or infringing use of our brand names, products, services, software and other functionality, in whole or in part, or obtain and use information that we consider proprietary.

Policing our proprietary rights and protecting our brands and domain names is difficult and costly and may not always be effective. In addition, we may need to enforce our rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the United States and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights.

Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary to enforce our intellectual property rights or to defend against claims of infringement or invalidity. Such litigation or proceedings could be costly, time-consuming and distracting to our management, result in a diversion of resources, the impairment or loss of portions of our intellectual property, and have a material adverse effect on our business and operating results.

We could incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

There is significant litigation in the United States and abroad involving patents and other intellectual property rights. Companies providing Internet-based products and services are increasingly bringing and becoming subject to suits alleging infringement of proprietary rights, particularly patent rights. The risk of patent litigation has been amplified by the increase in certain third parties, so-called "non-practicing entities," whose sole business is to assert patent claims and against which our own intellectual property portfolio may provide little deterrent value.

We could incur substantial costs in prosecuting or defending any intellectual property litigation and we have incurred such costs in the past. If we sue to enforce our rights or are sued by a third party that claims that our solutions infringe its rights, the litigation could be expensive and could divert our management's time and attention. Even a threat of litigation could result in substantial expense and time. In addition, some of our agreements with partners and others require us to indemnify those parties for third-party intellectual property infringement claims, which would increase the cost to us resulting from an adverse ruling on any such claim.

Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using solutions that incorporate the intellectual property that our solutions allegedly infringe;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license or enter into a royalty agreement, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing solutions to avoid infringement, which could be costly, time-consuming or impossible.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us, our business or operating results could be harmed.

In addition, many companies are devoting significant resources to obtaining patents that could affect many aspects of our business, and our competitors and others may have significantly larger and more mature patent portfolios than we have. Since we do not have, and are not attempting to develop, a significant patent portfolio, this may prevent us from deterring patent infringement claims as well as limit our ability to develop product enhancements that are similar to patented third-party technology.

Our use of "open source" software could adversely affect our ability to sell our services and subject us to possible litigation.

We use open source software in providing a substantial portion of our solutions, and we may incorporate additional open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. If we fail to comply with these licenses, we may be subject to certain conditions, including requirements that we offer our solutions that incorporate the open source software for no cost; that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software; and/or that we license such modifications or derivative works under the terms of the particular open source license. In addition, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of such licensed software. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained the open source software, and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions. In addition, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Such litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products.

We could face liability, or our reputation might be harmed, as a result of the activities of our subscribers, the content of their websites, the data they store on our servers or the emails that they send.

We could face liability or incur other costs as a result of the activities of our subscribers. Although the statutes discussed in Part I, Item 1, *Business* (including the DMCA and the CDA) and case law in the United States have generally shielded us from liability for subscriber activities to date, court rulings in pending or future litigation, or future legislative or regulatory actions, may narrow the scope of protection afforded us under these laws. Several court decisions and the enactment of FOSTA arguably have already narrowed the scope of the immunity provided to interactive computer services in the United States under the CDA. In addition, laws governing an Internet service provider's role in monitoring subscriber activities are unsettled in many international jurisdictions, or may prove difficult or impossible for us to comply with in some international jurisdictions. Also, notwithstanding the exculpatory language of these bodies of law, we may be embroiled in complaints and lawsuits which, even if ultimately resolved in our favor, add cost to our doing business and may divert management’s time and attention. Finally, other existing bodies of law, including the criminal laws of various states, may be deemed to apply or new statutes or regulations may be adopted in the future, any of which could expose us to further liability and increase our costs of doing business.

We may face liability in connection with ownership or control of subscriber accounts, domain names or email contact lists or in connection with domain names we own.

As a provider of cloud-based solutions, including as a registrar of domain names and related services, we have faced and may continue to face liability or costs related to ownership or control of subscriber accounts, websites, domain names or email contact lists, or in connection with domain names we own, including the following:

- Our failure to renew a subscriber’s domain name or for our role in the wrongful transfer of control or ownership of accounts, websites or domain names;
- Other forms of account, website or domain name “hijacking,” including misappropriation by third parties of subscriber accounts, websites or domain names;
- Trademark infringement if one or more domain names in our domain name portfolios that we own and provide for resale is alleged to violate another party’s trademark;
- Infringement of third party trademarks or copyrights if advertisements displayed on websites associated with domains registered by us contain allegedly infringing content placed by third parties; and
- Providing the identity and contact details of a domain name registrant who has purchased our domain privacy service, or who has rights preventing disclosure of such information under the GDPR, even though our terms of service reserve the right to provide the underlying WHOIS information and/or to cancel privacy services on domain names in certain circumstances.

Occasionally a subscriber may register a domain name that is identical or similar to another party’s trademark or the name of a living person. Disputes involving registration or control of domain names are often resolved through the Uniform Domain Name Dispute Resolution Policy, or UDRP, ICANN’s administrative process for domain name dispute resolution, or through litigation under the Anticybersquatting Consumer Protection Act, or ACPA, or under general theories of trademark infringement or dilution. The UDRP generally does not impose liability on registrars, and the ACPA provides that registrars may not be held liable for registering or maintaining a domain name absent a showing of bad faith, intent to profit or reckless disregard of a court order by the registrar. However, we may face liability if we fail to comply in a timely manner with procedural requirements under these rules. In addition, these processes typically require involvement by us and, therefore, could result in increased costs for us.

We are subject to export controls and economic sanctions laws that could impair our ability to compete in international markets and subject us to liability if we are not in full compliance with applicable laws.

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, which prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities. These laws and regulations, and the targets of U.S. sanctions, are subject to change, including without advance notice.

Although we take precautions and have implemented, and continue to seek to enhance, compliance measures to prevent transactions with U.S. sanction targets, from time to time we have identified, and we expect to continue to identify, instances of non-compliance with these laws, rules and regulations and transactions which we are required to block and report to OFAC. In particular, as we enhance the systems we use to screen out prohibited transactions, we may identify additional instances of non-compliance. In addition, as a result of our acquisition activities, we have acquired, and we may acquire in the future, companies for which we could face potential liability or penalties for violations if they have not implemented sufficient compliance measures to prevent transactions with targets of U.S. and other applicable sanctions laws. Failure to comply with these laws and regulations could subject us to civil or criminal penalties, government investigations, and reputational harm. In addition, if our third-party resellers fail to comply with these laws and regulations in their dealings, we could face potential liability or penalties for violations.

Changes in our solutions or changes in export and import regulations may create delays in the introduction and sale of our solutions in international markets, prevent our subscribers with international operations from deploying our solutions or, in some cases, prevent the export or import of our solutions to certain countries, governments or persons altogether. Any limitations or prohibitions on, or delays affecting, our ability to export or sell our solutions could adversely affect our business, financial condition and operating results.

Impairment of goodwill and other intangible assets would result in a decrease in earnings.

Current accounting rules provide that goodwill and other intangible assets with indefinite useful lives may not be amortized, but instead must be tested for impairment at least annually. These rules also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Additionally, a reorganization of or change in the number of reporting units could result in the reassignment of goodwill between reporting units and may trigger an impairment assessment. We have substantial goodwill and other intangible assets, and we would be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined. Any impairment charges or changes to the estimated amortization periods could have a material adverse effect on our financial results. We recorded charges for impairment of goodwill and other intangible assets during 2019, and it is possible we will record additional impairment charges in the future.

Risks Related to Our Substantial Indebtedness

Our substantial level of indebtedness could materially and adversely affect our financial condition.

We now have, and expect to continue to have, significant indebtedness that could result in a material and adverse effect on our business. As of December 31, 2019, we had approximately $1.7 billion of aggregate indebtedness, not including original issue discounts of $16.9 million and deferred financing costs of $25.7 million. Under our first lien term loan facility entered into on June 20, 2018, which refinanced our prior first lien term loan facility, we are required to repay approximately $7.9 million of principal at the end of each quarter and are required to pay accrued interest upon the maturity of each interest accrual period. We estimate that our interest payments on our first lien term loan facility will be approximately $78.3 million for 2020. The interest accrual periods under our Senior Credit Facilities are typically three months in duration, except for LIBOR-based revolver loans, which are generally one or three months in duration. The actual amounts of our debt servicing payments vary based on the amounts of indebtedness outstanding, whether we borrow on a LIBOR or base rate basis, the applicable interest accrual periods and the applicable interest rates, which vary based on prescribed formulas. We are also required to pay accrued interest on the Senior Notes on a semi-annual basis. We estimate that we will pay approximately $38.1 million of interest on the Senior Notes during the year ended December 31, 2020.

We may be able to incur substantial additional debt in the future. The terms of our Senior Credit Facilities and the indenture governing the Senior Notes permit us to incur additional debt subject to certain conditions. This high level of debt could have important consequences, including:

- making it more difficult for us to make payments on our indebtedness;
- increasing our vulnerability to general adverse financial, business, economic and industry conditions, as well as other factors that are beyond our control;

- requiring us to refinance, or resulting in our inability to refinance, all or a portion of our indebtedness at or before maturity, on favorable terms or at all, whether due to uncertain credit markets, our business performance, or other factors;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate and placing us at a disadvantage compared to our competitors that are less highly leveraged;
- restricting our ability to pay dividends on our capital stock or redeem, repurchase or retire our capital stock or indebtedness;
- limiting our ability to borrow additional funds;
- exposing us to the risk of increased interest rates as certain of our borrowings are, and may in the future be, at variable interest rates;
- requiring us to sell assets or incur additional indebtedness if we are not able to generate sufficient cash flow from operations to fund our liquidity needs; and
- making it more difficult for us to fund other liquidity needs.

The occurrence of any one of these events or our failure to generate sufficient cash flow from operations could have a material adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations under our indebtedness. If new debt is added to our current debt levels, the related risks that we now face, as described further herein, could intensify and we may not be able to meet all our debt obligations.

The elimination of LIBOR could adversely affect our business, results of operations or financial condition.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced plans to phase out the use of LIBOR by the end of 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. These may be replaced by the Secured Overnight Financing Rate, or SOFR, or other benchmark rates over the next several years. Although the impact is uncertain at this time, the elimination of LIBOR could have an adverse impact on our business, results of operations, or financial condition. We have approximately $1,374.0 million principal amount of LIBOR-based debt under our Senior Credit Facilities. All of this amount will convert to a floating interest rate based on the prime rate if LIBOR is discontinued, which would likely result in increased interest expense. We may incur significant expenses to amend our LIBOR-indexed loans, derivatives, and other applicable financial or contractual obligations, including our Senior Credit Facilities and interest rate caps, to a new reference rate, which may differ significantly from LIBOR. Accordingly, the use of an alternative rate could result in increased costs, including increased interest expense on our Senior Credit Facilities, and increased borrowing and hedging costs in the future. Additionally, the elimination of LIBOR may adversely impact the value of and the expected return on our existing interest rate cap and any other derivatives, as well as any other contracts that reference LIBOR. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and we are unable to predict the effect of any such alternatives on our business, results of operations or financial condition.

The terms of our Senior Credit Facilities and the indenture governing the Senior Notes impose restrictions on our business, reducing our operational flexibility and creating default risks. Failure to comply with these restrictions, or other events, could result in default under the relevant agreements that could trigger an acceleration of our indebtedness that we may not be able to repay.

Our Senior Credit Facilities and the indenture governing the Senior Notes require compliance with a set of financial and non-financial covenants. These covenants contain numerous restrictions on our ability to, among other things:

- incur additional debt;
- make restricted payments (including any dividends or other distributions in respect of our capital stock and any investments);
- sell or transfer assets;
- enter into affiliate transactions;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- take other actions.

As a result, we may be restricted from engaging in business activities that may otherwise improve our business or from financing future operations or capital needs. We are also required to comply with a financial covenant to not exceed a maximum ratio of consolidated senior secured net indebtedness to an adjusted consolidated EBITDA measure. Failure to comply with the covenants, if not cured or waived, could result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owing under our Senior Credit Facilities and the Senior Notes and could have a material adverse impact on our business. Our Senior Credit Facilities and the indenture governing the Senior

Notes also contain provisions that trigger repayment obligations, including in some cases upon a change of control, as well as various representations and warranties which, if breached, could lead to events of default. We cannot be certain that our future operating results will be sufficient to ensure compliance with the covenants in our Senior Credit Facilities or the indenture governing the Senior Notes or to remedy any defaults under our Senior Credit Facilities or the indenture governing the Senior Notes. In addition, in the event of any event of default and related acceleration, we may not have or be able to obtain sufficient funds to make any accelerated payments.

EIG Investors, the borrower under our Senior Credit Facilities and the Issuer of the Senior Notes, is a holding company, and may not be able to generate sufficient cash to service all of its indebtedness.

EIG Investors Corp, or EIG Investors, the borrower under our Senior Credit Facilities and the issuer of the Senior Notes, has no direct operations and no significant assets other than the stock of its subsidiaries. Because it conducts its operations through its operating subsidiaries, EIG Investors depends on those entities to generate the funds necessary to meet its financial obligations, including its required obligations under our Senior Credit Facilities and the Senior Notes. The ability of our subsidiaries to make transfers and other distributions to EIG Investors is subject to, among other things, the terms of any debt instruments of those subsidiaries then in effect, applicable law, prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. If transfers or other distributions from our subsidiaries to EIG Investors were eliminated, delayed, reduced or otherwise impaired, its ability to make payments on its obligations would be substantially impaired.

Furthermore, if EIG Investors’ cash flows and capital resources are insufficient to fund its debt service obligations, we may be forced to reduce or delay investments and capital expenditures, seek additional capital, restructure or refinance EIG Investors’ or our indebtedness, or sell assets. We may not be able to accomplish any of these alternatives on a timely basis, on satisfactory terms, or at all, which would limit EIG Investors’ ability to meet its scheduled debt service obligations (including in respect of our Senior Credit Facilities or the Senior Notes). Our ability to restructure or refinance our indebtedness will depend on the condition of the capital markets and the financial condition of EIG Investors and us at the time. Any refinancing of EIG Investors’ debt could be at higher interest rates and may require EIG Investors to comply with more onerous covenants, which could further restrict our business operations. Our Senior Credit Facilities and the indenture governing the Senior Notes will also restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair, and any proceeds that we receive may not be adequate to meet any debt service obligations then due. In addition, any failure to make payments of interest and principal on EIG Investors’ outstanding indebtedness on a timely basis could result in an event of default that would trigger acceleration of our indebtedness and would likely result in a reduction of EIG Investors' credit rating, which could harm our ability to incur additional indebtedness.

EIG Investors may not be able to repurchase the Senior Notes upon a change of control or pursuant to an asset sale offer, which would cause a default under the indenture governing the Senior Notes and our Senior Credit Facilities.

Upon the occurrence of specific kinds of change of control events, EIG Investors will be required under the indenture governing the Senior Notes to offer to repurchase all outstanding Senior Notes at 101% of their principal amount plus accrued and unpaid interest, if any, unless the Senior Notes have been previously called for redemption. The source of funds for any such purchase of the Senior Notes will be EIG Investors’ available cash or cash generated from its subsidiaries’ operations or other sources, including borrowings, sales of assets or sales of equity. EIG Investors may not be able to repurchase the Senior Notes upon a change of control because it may not have sufficient financial resources to purchase all of the Senior Notes that are tendered upon a change of control. Further, the terms of our Senior Credit Facilities and any of EIG Investors' future debt agreements may restrict EIG Investors from repurchasing all of the Senior Notes tendered by holders upon a change of control. Accordingly, EIG Investors may not be able to satisfy its obligations to purchase the Senior Notes unless it is able to refinance or obtain waivers under our Senior Credit Facilities. EIG Investors’ failure to repurchase the Senior Notes upon a change of control would cause an event of default under the indenture governing the Senior Notes and a cross-default under our Senior Credit Facilities. Our Senior Credit Facilities also provide that a change of control is an event of default that permits lenders to accelerate the maturity of borrowings thereunder. Any of EIG Investors’ future debt agreements may contain similar provisions.

In addition, in certain circumstances following a non-ordinary course asset sale as specified in the indenture governing the Senior Notes, EIG Investors may be required to commence an offer to purchase the Senior Notes with the proceeds from the asset sale at a price equal to 100% of their principal amount plus accrued and unpaid interest. Our Senior Credit Facilities and any of EIG Investors' future debt agreements may contain restrictions that would limit or prohibit EIG Investors from completing any such offer. EIG Investors’ failure to purchase any such Senior Notes when required under the indenture would be an event of default and a cross-default under our Senior Credit Facilities.

Risks Related to Ownership of Our Common Stock

Our stock price has been and may in the future be volatile, which could cause holders of our common stock to incur substantial losses.

The trading price of our common stock has been and may in the future be subject to substantial price volatility. As a result of this volatility, our stockholders could incur substantial losses. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the factors listed below and other factors described in this "Risk Factors" section:

- low trading volume, which could cause even a small number of purchases or sales of our stock to have an impact on the trading price of our common stock;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes in our earnings or any financial projections we may provide to the public, or fluctuations in our operating results;
- changes in expectations for, or evaluations of, our stock by securities analysts, or decisions by securities or industry analysts not to publish or to cease publishing research or reports about us, our business or our market;
- ratings changes by debt ratings agencies;
- short sales, hedging and other derivative transactions involving our capital stock;
- announcements of technological innovations, new products, strategic alliances, or significant agreements by us or by our competitors;
- litigation or regulatory proceedings involving us; and
- recruitment or departure of key personnel.

Securities class action litigation is sometimes brought against companies that experience periods of volatility in the market price of their securities. As discussed in Note 18*, Commitments and Contingencies*, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, in 2015, separate class action securities lawsuits were filed against us and Constant Contact; we settled one of these lawsuits in 2019, and we expect the final settlement hearing for the other to take place in the first half of 2020. In the future, we may be the target of additional securities litigation related to volatility in our stock, which could result in substantial costs and divert management's attention and resources from our business.

Future sales of shares of our common stock could cause the market price of our common stock to drop significantly, even if our business is doing well.

A substantial portion of our issued and outstanding common stock can be traded without restriction at any time, and the remaining shares of our issued and outstanding common stock can be sold subject to volume limitations and other requirements applicable to affiliate sales under the federal securities laws. As such, sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. In addition, we have registered 38,000,000 shares of common stock that have been issued or reserved for future issuance under our Amended and Restated 2013 Stock Incentive Plan and 14,346,830 shares of common stock that have been issued or reserved for future issuance under our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan. Of these shares, as of December 31, 2019, a total of 28,619,888 shares of our common stock are subject to outstanding options, restricted stock units and restricted stock awards, of which 17,526,179 shares are exercisable or have vested. The exercise of these options or the vesting of restricted stock units and shares of restricted stock and the subsequent sale of the common stock underlying such options or upon the vesting of such restricted stock units and restricted stock awards could cause a decline in our stock price. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. We cannot predict the size of future issuances or the effect, if any, that any future issuances may have on the market price for our common stock.

In addition, holders of an aggregate of 65,693,919 shares of our common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Once we register these shares, they can be freely sold in the public market upon issuance, subject to any applicable vesting requirements.

Insiders have substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control.

As of December 31, 2019, our directors, executive officers and their affiliates beneficially own, in the aggregate, 50.3% of our issued and outstanding common stock. Specifically, investment funds and entities affiliated with Warburg Pincus own, in the aggregate, 35.9% of our issued and outstanding common stock, and investment funds and entities affiliated with Goldman Sachs own, in the aggregate, approximately 10.5% of our issued and outstanding common stock. As a result, these stockholders, if they act together, could have significant influence over the outcome of matters submitted to our stockholders for approval. Our stockholders' agreement contains agreements among the parties with respect to certain matters, including the election of directors, and certain restrictions on our ability to effect specified corporate transactions. If these stockholders were to act together, they could have significant influence over the management and affairs of our company. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our common stock. In particular, the significant ownership interest of investment funds and entities affiliated with Warburg Pincus and Goldman Sachs in our common stock could adversely affect investors' perceptions of our corporate governance practices.

Anti-takeover provisions in our restated certificate of incorporation, our amended and restated bylaws and our stockholders agreement, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Our restated certificate of incorporation, our amended and restated bylaws, our stockholders agreement and Delaware law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. Our corporate governance documents include provisions:

- authorizing blank check preferred stock, which could be issued without stockholder approval and with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- providing that any action required or permitted to be taken by our stockholders must be taken at a duly called annual or special meeting of such stockholders and may not be taken by any consent in writing by such stockholders;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors, subject to limited exceptions set forth in our stockholders agreement;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings;
- providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings;
- establishing a classified board of directors so that not all members of our board are elected at one time;
- establishing Delaware as the exclusive jurisdiction for specified types of stockholder litigation involving us or our directors;
- providing that for so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least three directors for election to our board of directors, certain actions required or permitted to be taken by our stockholders, including amendments to our restated certificate of incorporation or amended and restated bylaws and certain specified corporate transactions, may be effected only with the affirmative vote of 75% of our board of directors, in addition to any other vote required by applicable law;
- providing that for so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least one director for election to our board of directors and for so long as investment funds and entities affiliated with Goldman Sachs have the right to designate one director for election to our board of directors, in each case, a quorum of our board of directors will not exist without at least one director designee of each of Warburg Pincus and Goldman Sachs present at such meeting, subject to limited exceptions set forth in our stockholders agreement;
- limiting the determination of the number of directors on our board of directors and the filling of vacancies or newly created seats on the board to our board of directors then in office; subject to limited exceptions set forth in our stockholders agreement; and
- providing that directors may be removed by stockholders only for cause by the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in an annual election of directors; provided that any director designated by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs may be removed with or without cause only by Warburg Pincus or Goldman Sachs, respectively.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our issued and outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our issued and outstanding common stock. Since the investment funds and entities affiliated with Warburg Pincus and Goldman Sachs became holders of more than 15% of our issued and outstanding common stock in a transaction that was approved by our board of directors, the restrictions of Section 203 of the Delaware General Corporation law would not apply to a business combination transaction with any investment funds or entities affiliated with either Warburg Pincus or Goldman Sachs. In addition, our restated certificate of incorporation expressly exempts investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs from the applicability of Section 203 of the Delaware General Corporation Law. Any provision of our restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

Certain of our stockholders have the right to engage or invest in the same or similar businesses as us.

Investment funds and entities affiliated with Warburg Pincus or Goldman Sachs, together, hold a significant interest in our company. Warburg Pincus, Goldman Sachs and their respective affiliates have other investments and business activities in addition to their ownership of our company. Warburg Pincus, Goldman Sachs and their respective affiliates have the right, and have no duty to abstain from exercising the right, to engage or invest in the same or similar businesses as us. To the fullest extent permitted by law, we have, on behalf of ourselves, our subsidiaries and our and their respective stockholders, renounced any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be presented to Warburg Pincus, Goldman Sachs or any of their respective affiliates, partners, principals, directors, officers, members, managers, employees or other representatives, and no such person has any duty to communicate or offer such business opportunity to us or any of our subsidiaries or shall be liable to us or any of our subsidiaries or any of our or its stockholders for breach of any duty, as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us or our subsidiaries, unless, in the case of any such person who is a director or officer of ours, such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer of ours.

We may not pay any dividends on our common stock for the foreseeable future.

We do not currently anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we expect to retain any earnings to invest in our business. In addition, our ability to pay cash dividends is currently limited by the terms of our Senior Credit Facilities and the indenture governing the Senior Notes, and any future credit agreement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, to realize any return on their investment.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

As of December 31, 2019, we leased approximately 115,000 square feet of office space located in Burlington, Massachusetts, which serves as our corporate headquarters, under a lease that expires in March 2026.

Our web presence segment used additional offices and data centers, primarily:

- approximately 264,000 square feet of leased office space in the United States located primarily in Arizona, Texas and Utah;
- approximately 59,000 square feet of leased office space outside of the United States located primarily in Brazil and the Netherlands;
- approximately 57,000 square feet of office and data center space we own in Utah; and
- leased and co-located data center space located primarily in Massachusetts, Texas and Virginia, with approximately 2,800 kilowatts of power under contract.

Our email marketing segment used additional offices and data centers, primarily:

- approximately 149,000 square feet of leased office space in the United States located primarily in Massachusetts and Colorado; and
- leased and co-located data center space located primarily in Massachusetts and Texas, with approximately 750 kilowatts of power under contract.

Our domain segment used additional offices and data centers, primarily:

- approximately 4,000 square feet of leased office space in the United States located primarily in Washington;
- approximately 86,000 square feet of leased office space outside of the United States located primarily in India; and
- leased and co-located data center space located primarily in Texas, India and Hong Kong, with approximately 400 kilowatts of power under contract.

We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed to accommodate planned expansion of our operations.

ITEM 3. Legal Proceedings

From time to time we are involved in legal proceedings or subject to claims arising in the ordinary course of our business. We are not presently involved in any such legal proceeding or subject to any such claim that, in the opinion of our management, would have a material adverse effect on our business, operating results or financial condition. However, the results of such legal proceedings or claims cannot be predicted with certainty, and regardless of the outcome, can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

As previously disclosed, we were named as a defendant in two shareholder litigation matters. For more information on these legal proceedings, see Note 18, *Commitments and Contingencies*, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 4. Mine Safety Disclosures

Not applicable.

Part II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Our Common Stock and Related Stockholder Matters

Our common stock is listed on the Nasdaq Global Select Market under the symbol "EIGI."

Stockholders

As of January 31, 2020, there were approximately 31 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We currently intend to retain future earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare dividends will be subject to the discretion of our board of directors and applicable law and will depend on various factors, including our results of operations, financial condition, prospects and any other factors deemed relevant by our board of directors. Our credit agreement and the indenture governing our senior notes limit our ability to pay cash dividends on our common stock, and the terms of any future loan agreement into which we may enter or any additional debt securities we may issue are likely to contain similar restrictions on the payment of dividends.

Securities Authorized for Issuance Under Equity Compensation Plan

The information concerning our equity compensation plan is incorporated by reference from the information in our Proxy Statement for our 2020 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

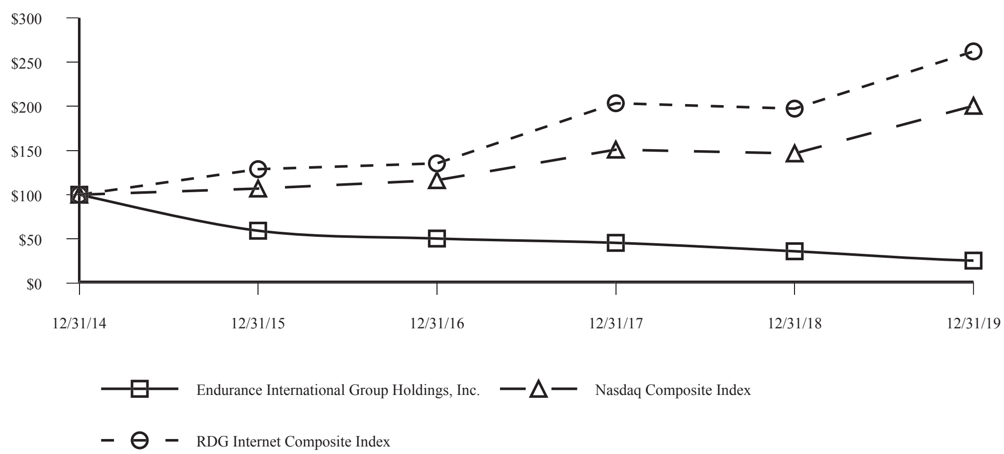
Stock Performance Graph

The following performance graph and related information shall not be deemed to be "soliciting material" or "filed" for purposes of Section 18 of the Exchange Act nor shall such information be incorporated by reference into any filing of Endurance International Group Holdings, Inc. under the Exchange Act or the Securities Act, except to the extent that we specifically incorporate it by reference in such filing.

The graph set forth below compares the cumulative total return on our common stock to the cumulative total return of the Nasdaq Composite Index and the RDG Internet Composite Index from December 31, 2014 through December 31, 2019. The comparison assumes $100 was invested after the market closed on December 31, 2014 in our common stock, and each of the foregoing indices, and it assumes the reinvestment of dividends, if any.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

COMPARISON OF 60 MONTH CUMULATIVE TOTAL RETURN
Among Endurance International Group Holdings, Inc., the Nasdaq Composite Index, and the RDG Internet Composite Index



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Endurance International Group Holdings, Inc.	$ 100.00	$ 59.31	$ 50.46	$ 45.58	$ 36.08	$ 25.50
Nasdaq Composite Index	$ 100.00	$ 106.96	$ 116.45	$ 150.96	$ 146.67	$ 200.49
RDG Internet Composite Index	$ 100.00	$ 128.89	$ 135.45	$ 203.48	$ 197.34	$ 262.03

ITEM 6. Selected Consolidated Financial Data

The consolidated statements of operations and comprehensive income (loss) data for the years ended December 31, 2017, 2018 and 2019, and the consolidated balance sheet data as of December 31, 2018 and 2019, are derived from our audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations and comprehensive income (loss) data for the years ended December 31, 2015 and 2016, and the consolidated balance sheet data as of December 31, 2015, 2016 and 2017, are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in any future period. The comparability of the information in the table below is affected by acquisitions we completed during the periods shown, particularly the acquisition of Constant Contact in February 2016 and the related increase in our indebtedness to finance that acquisition. You should read the following selected consolidated financial data in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K.

	For the year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands, except per share and share information)				
Consolidated Statements of Operations and Comprehensive Income (Loss) Data:					
Revenue	$ 741,315	$ 1,111,142	$ 1,176,867	$ 1,145,291	$ 1,113,278
Cost of revenue[(1)]	425,035	583,991	603,930	520,737	510,296
Gross profit	316,280	527,151	572,937	624,554	602,982
Operating expense:					
Sales and marketing	145,419	303,511	277,460	265,424	258,019
Engineering and development[(2)]	26,707	87,601	78,772	87,980	106,377
General and administrative[(3)]	90,968	175,379	164,745	124,204	117,967
Gain on sale of business	—	—	—	—	(40,700)
Impairment of goodwill	—	—	12,129	—	12,333
Total operating expense[(4)]	263,094	566,491	533,106	477,608	453,996
Income (loss) from operations	53,186	(39,340)	39,831	146,946	148,986
Total other expense, net	(52,974)	(150,450)	(157,006)	(148,391)	(143,454)
Income (loss) before income taxes and equity earnings of unconsolidated entities	212	(189,790)	(117,175)	(1,445)	5,532
Income tax expense (benefit)	11,342	(109,858)	(17,281)	(6,246)	17,879
(Loss) income before equity earnings of unconsolidated entities	(11,130)	(79,932)	(99,894)	4,801	(12,347)
Equity loss (income) of unconsolidated entities, net of tax	14,640	1,297	(110)	267	—
Net (loss) income	(25,770)	(81,229)	(99,784)	4,534	(12,347)
Net (loss) income attributable to non-controlling interest	—	(8,398)	7,524	—	—
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (25,770)	$ (72,831)	$ (107,308)	$ 4,534	$ (12,347)
Net (loss) income per share attributable to Endurance International Group Holdings, Inc.					
Basic	$ (0.20)	$ (0.55)	$ (0.78)	$ 0.03	$ (0.09)
Diluted	$ (0.20)	$ (0.55)	$ (0.78)	$ 0.03	$ (0.09)
Weighted average shares used to compute net (loss) income per share attributable to Endurance International Group Holdings, Inc.					
Basic	131,340,557	133,415,732	137,322,201	142,316,993	145,259,691
Diluted	131,340,557	133,415,732	137,322,201	145,669,760	145,259,691

(1) Includes stock-based compensation expense of $2.0 million, $5.9 million, $6.1 million, $3.8 million and $3.3 million, for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively. Also includes amortization expense of $91.1 million, $143.6 million, $140.4 million, $103.1 million and $85.2 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively. Also includes impairment of intangible assets of $18.7 million for the year ended December 31, 2017 and $25.2 million for the year ended December 31, 2019.

(2) Includes impairment of intangible assets of $9.0 million for the year ended December 31, 2016.

(3) Includes transaction expenses of $9.6 million, $32.3 million, $0.8 million, $0.0 million, and $0.0 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively.

(4) Includes stock-based compensation expense of $27.9 million, $52.4 million, $53.9 million, $25.2 million and $32.4 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively.

	For the year ended December 31,				
	2015	2016	2017	2018	2019
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 33,030	$ 53,596	$ 66,493	$ 88,644	$ 111,265
Property and equipment, net	75,762	95,272	95,452	92,275	85,925
Working capital (deficit)	(370,335)	(362,677)	(359,222)	(300,692)	(278,143)
Total assets	1,802,500	2,756,274	2,600,034	2,606,507	2,584,086
Current and long-term debt, net of original issuance discounts and deferred financing costs(1)	1,092,385	1,986,980	1,892,245	1,801,661	1,681,473
Current and long-term financed equipment	13,081	7,202	15,349	8,379	790
Total stockholders' equity	179,674	124,383	83,005	174,454	196,954

(1) Net of deferred financing costs of $1.0 million, $43.3 million, $37.7 million, $32.0 million and $25.7 million for the years ended December 31, 2015, 2016, 2017, 2018 and 2019, respectively, for the Company's retrospective adoption of ASU 2015-03: Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The years ended December 31, 2016, 2017, 2018 and 2019 are also net of original issuance discount of $25.9 million, $25.8 million, $21.3 million and $16.9 million, respectively.

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

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth in Part I, Item 1A, Risk Factors of this Annual Report on Form 10-K, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a leading provider of cloud-based platform solutions designed to help small- and medium-sized businesses, or SMBs, succeed online. We serve approximately 4.8 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses. In addition to for-profit businesses, our subscribers include non-profit organizations, community groups, bloggers, and hobbyists. Although we provide our solutions through a number of brands, we are focusing our marketing, engineering and product development efforts on a small number of strategic assets, including our Constant Contact, Bluehost, HostGator, and Domain.com brands.

From fiscal year 2017 through fiscal year 2019, we have reported our financial results in three reportable segments, as follows:

Web Presence. Our web presence segment consists primarily of our web hosting brands, including Bluehost and HostGator. This segment also includes related products such as domain names, website security, website design tools and services, and e-commerce products.

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products. This segment also generates revenue from sales of our Constant Contact-branded website builder tool and our Ecomdash inventory management and marketplace listing solution, or Ecomdash, which we acquired in the third quarter of 2019. For most of 2019, the email marketing segment also included the SinglePlatform digital storefront business, which we sold on December 5, 2019.

Domain. Our domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with our domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to our web presence segment.

In the second half of 2019, we started the process of simplifying our organization to support our two key strategic platforms, web presence (including our web hosting and domain offerings) and email marketing. In 2020, we plan to modify our internal reporting structure to reflect these changes in our structure and leadership, and also to change the name of the email marketing segment to the "digital marketing" segment. This will result in consolidation of our current domain segment into our web presence segment, such that we expect to report our financial results in two segments - web presence (including domains) and digital marketing - beginning with the first quarter of 2020.

During 2018 and 2019, we focused on investing to improve the customer experience and expand product offerings in our strategic brands, including Constant Contact, Bluehost, HostGator and Domain.com, and on simplifying our business. Although our revenue, net income, operating cash flows and total subscriber base decreased in 2019 relative to 2018, we believe the second half of 2019 began to show positive results from our continuing investment and simplification efforts. Our fourth quarter 2019 revenue was flat as compared to third quarter 2019 revenue, and when third and fourth quarter 2019 revenue are both adjusted to exclude the revenue contribution of our SinglePlatform business, which we sold on December 5, 2019, fourth quarter revenue increased relative to third quarter revenue. SinglePlatform contributed $6.8 million and $4.8 million in revenue in the third and fourth quarters of 2019, respectively, and $28.4 million and $25.4 million in revenue in 2018 and 2019, respectively.

Changes in our revenue, net income (loss) and net cash provided by operating activities from 2018 to 2019 are summarized below:

	Year Ended December 31, 2018	Year Ended December 31, 2019
	(in thousands)	
Revenue	$ 1,145,291	$ 1,113,278
Net income (loss)	$ 4,534	$ (12,347)
Net cash provided by operating activities	$ 182,552	$ 161,973

- Revenue decreased by 3% from 2018 primarily due to revenue declines in the web presence segment and to a lesser extent, in the domain segment. This decline was partially offset by an increase in email marketing segment revenue.
- We had a net loss in 2019 as compared to net income in 2018, due primarily to impairment charges, decreases in revenue, increases in income taxes and increases in stock-based compensation expense. This change was partially offset by a gain from the disposition of SinglePlatform, and decreases in amortization, depreciation and interest expenses.
- Net cash provided by operating activities decreased by 11% from 2018. This decrease was primarily due to lower revenue and subscriber billings, timing of vendor payments, and higher income tax payments. These factors were partially offset by lower restructuring and interest payments in 2019. Our 2019 cash flows allowed us to make voluntary debt principal payments of $51.3 million in 2019, which were in addition to required debt principal payments of $31.6 million made during the year. In addition, our proceeds from the disposition of SinglePlatform triggered an additional mandatory repayment of $48.1 million.

With respect to total subscribers, we recorded net subscriber additions for the third quarter of 2019. Fourth quarter 2019 net subscriber additions would also have been positive but for the impact of the sale of SinglePlatform, which resulted in a decrease of approximately 23,000 subscribers. Our non-strategic brands continue to lose subscribers, but the rate of attrition slowed during 2019, and for the third and fourth quarters, net subscriber additions from our strategic brands (in the aggregate and excluding the impact of the SinglePlatform sale) outpaced losses in the non-strategic brands. Our non-strategic brands are principally web hosting brands, but also include our cloud backup brands and certain other products that we launched in late 2015 and early 2016, and that we have either discontinued or no longer actively market. Subscriber counts are decreasing in these brands, and we are managing them to optimize cash flow rather than to acquire new subscribers.

Our operating plan for 2020 continues to focus on delivering increased value to customers of our key strategic brands, and on further simplifying our operations. We expect to continue our investments in engineering and development in 2020 in order to further improve the customer experience and expand product offerings in our strategic brands. We also intend to invest more heavily in marketing efforts for our strategic brands as compared to 2018 and 2019. We expect that these investments will adversely impact our net income (loss), adjusted EBITDA, cash flows from operations and free cash flow during 2020.

Key Metrics

We use a number of metrics, including the following key metrics, to evaluate the operating and financial performance of our business, identify trends affecting our business, develop projections and make strategic business decisions:

- total subscribers
- average revenue per subscriber, or ARPS
- adjusted EBITDA, and
- free cash flow

Adjusted EBITDA and free cash flow are non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flow that includes or excludes amounts that are included or excluded from the most directly comparable measure calculated and presented in accordance with GAAP. Our non-

GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently. In addition, there are limitations in using non-GAAP financial measures because they are not prepared in accordance with GAAP and exclude expenses that may have a material impact on our reported financial results. For example, adjusted EBITDA excludes interest expense, which has been and will continue to be for the foreseeable future a significant recurring expense in our business. The presentation of non-GAAP financial information is not meant to be considered in isolation from, or as a substitute for, the directly comparable financial measures prepared in accordance with GAAP. We urge you to review the additional information about adjusted EBITDA and free cash flow shown below, including the reconciliations of these non-GAAP financial measures to their comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

The following table summarizes our key metrics (except for free cash flow, which is discussed in *Liquidity and Capital Resources* below) by segment for the periods presented:

	Year Ended December 31,		
	2017	2018	2019
	(in thousands, except ARPS)		
Consolidated metrics:			
Total subscribers	5,051	4,802	4,766
Average subscribers	5,211	4,927	4,793
Average revenue per subscriber	$ 18.82	$ 19.37	$ 19.35
Adjusted EBITDA	$ 350,814	$ 338,058	$ 313,644
Web presence segment metrics:			
Total subscribers	3,849	3,639	3,567
Average subscribers	4,024	3,744	3,603
Average revenue per subscriber	$ 13.29	$ 13.47	$ 13.34
Adjusted EBITDA	$ 165,088	$ 146,578	$ 132,575
Email marketing segment metrics:			
Total subscribers(1)	519	497	468
Average subscribers	531	508	492
Average revenue per subscriber	$ 62.92	$ 67.28	$ 69.58
Adjusted EBITDA	$ 185,869	$ 183,384	$ 174,555
Domain segment metrics:			
Total subscribers	683	666	731
Average subscribers	656	675	698
Average revenue per subscriber	$ 16.98	$ 16.05	$ 15.02
Adjusted EBITDA	$ (143)	$ 8,096	$ 6,514

(1) The total email marketing subscriber count as of December 31, 2019 includes approximately 1,300 subscribers added as part of the September 2019 acquisition of Ecomdash and reflects a decrease of approximately 23,000 subscribers due to the December 2019 sale of our SinglePlatform business.

Total Subscribers

We define total subscribers as the approximate number of subscribers that, as of the end of a period, are identified as subscribing directly to our products on a paid basis, excluding accounts that access our solutions via resellers or that purchase only domain names from us. Subscribers of more than one brand, and subscribers with more than one distinct billing relationship or subscription with us, are counted as separate subscribers. Total subscribers for a period reflects adjustments to add or subtract subscribers as we integrate acquisitions and/or are otherwise able to identify subscribers that meet, or do not meet, this definition of total subscribers.

Most of our web presence segment subscribers have hosting subscriptions, but web presence subscribers also include customers who do not have a web hosting subscription but subscribe to other non-hosting services such as email or domain privacy. These subscribers generally have lower-priced subscriptions than hosting subscribers.

Form 10-K

Email marketing segment subscribers mostly consist of subscribers to Constant Contact's email marketing service, but also include paying subscribers to our Constant Contact-branded website builder tool and our Ecomdash inventory management and marketplace listing solution, which we acquired in the quarter ended September 30, 2019. Until the sale of our SinglePlatform business on December 5, 2019, email marketing subscribers also included SinglePlatform subscribers. Our email marketing and total subscriber counts as of December 31, 2019 include approximately 1,300 subscribers added as part of the Ecomdash acquisition and reflect a decrease of approximately 23,000 subscribers due to the sale of SinglePlatform.

Domain segment subscribers mostly consist of customers who have a domain name subscription as well as a subscription to another product, such as domain privacy, office productivity software, or a basic hosting, email or domain privacy service that is bundled with their domain subscription. Also included as domain segment subscribers are hosting customers of our BigRock and HostGator India brands and certain other small web hosting brands that are under common management with our domain-focused brands.

The table below shows the approximate sources of changes in our total subscriber count by segment during 2018 and 2019. Adjustments below are shown on a full year basis.

	Web Presence	Email Marketing	Domain	Total
	(in thousands)			
Total Subscribers - December 31, 2017	**3,849**	**519**	**683**	**5,051**
Adjustments	10	—	(14)	(4)
Net subscriber decrease	(220)	(22)	(3)	(245)
Total Subscribers - December 31, 2018	**3,639**	**497**	**666**	**4,802**
Acquisitions	—	1	—	1
Dispositions	—	(23)	—	(23)
Adjustments	(2)	1	—	(1)
Net subscriber (decrease) increase	(70)	(8)	65	(13)
Total Subscribers - December 31, 2019	**3,567**	**468**	**731**	**4,766**

The decrease in total subscribers from 4.802 million at December 31, 2018 to 4.766 million at December 31, 2019 was driven primarily by subscriber losses in our web presence segment, which were due to subscriber attrition in our non-strategic brands, and, to a lesser extent, by subscriber losses in our email marketing segment (including a decrease of approximately 23,000 subscribers due to the SinglePlatform sale). These subscriber losses were partially offset by subscriber additions in our domain segment.

The decrease in total subscribers from 5.051 million at December 31, 2017 to 4.802 million at December 31, 2018 was driven primarily by subscriber losses in our web presence segment, a majority of which were due to subscriber attrition in our non-strategic brands, and, to a lesser extent, by subscriber losses in our email marketing and domain segments.

Average Revenue per Subscriber

We calculate ARPS as the amount of revenue we recognize in a period, including marketing development funds and other revenue not received from subscribers, divided by the average of the number of total subscribers at the beginning of the period and at the end of the period, which we refer to as average subscribers for the period, divided by the number of months in the period. For our web presence and email marketing segments, we believe ARPS is an indicator of our ability to optimize our mix of products, services and pricing and sell products and services to both new and existing subscribers. For our domain segment, ARPS may fluctuate from period to period due to changes in the amount of non-subscription-based revenue, reseller activity and other factors impacting this segment as discussed in more detail below.

The following table reflects the calculation of ARPS by segment:

	Year Ended December 31,		
	2017	2018	2019
	(in thousands, except ARPS)		
Consolidated revenue	$ 1,176,867	$ 1,145,291	$ 1,113,278
Consolidated total subscribers	5,051	4,802	4,766
Consolidated average subscribers for the period	5,211	4,927	4,793
Consolidated ARPS	**$ 18.82**	**$ 19.37**	**$ 19.35**
Web presence revenue	$ 641,993	$ 605,315	$ 576,704
Web presence subscribers	3,849	3,639	3,567
Web presence average subscribers	4,024	3,744	3,603
Web presence ARPS	**$ 13.29**	**$ 13.47**	**$ 13.34**
Email marketing revenue	$ 401,250	$ 410,052	$ 410,672
Email marketing subscribers(1)	519	497	468
Email marketing average subscribers	531	508	492
Email marketing ARPS	**$ 62.92**	**$ 67.28**	**$ 69.58**
Domain revenue	$ 133,624	$ 129,924	$ 125,902
Domain subscribers	683	666	731
Domain average subscribers	656	675	698
Domain ARPS	**$ 16.98**	**$ 16.05**	**$ 15.02**

(1) The total email marketing subscriber count as of December 31, 2019 includes approximately 1,300 subscribers added as part of the September 2019 acquisition of Ecomdash and reflects a decrease of approximately 23,000 subscribers due to the December 2019 sale of our SinglePlatform business.

ARPS does not represent an exact measure of the average amount a subscriber spends with us each month, because our calculation of ARPS includes all of our revenue, including revenue generated by non-subscribers, in the numerator. We have three principal sources of non-subscription-based revenue:

- *Revenue from domain-only customers*. Our web presence and domain segments each earn revenue from domain-only customers. For our web presence segment, approximately 0.5% of our fiscal year 2019 revenue was earned from domain-only customers. For our domain segment, approximately 4.3% of our revenue for fiscal year 2019 was earned from domain-only customers.
- *Domain monetization revenue*. This consists principally of revenue from our BuyDomains brand, which provides premium domain name products and services, and, to a lesser extent, revenue from advertisements placed on unused domains (often referred to as “parked” pages) owned by us or our customers. A significant portion of this revenue is associated with our domain segment.
- *Revenue from marketing development funds*. Marketing development funds are the amounts that certain of our partners pay us to assist in and incentivize our marketing of their products.

A portion of our revenue is generated from customers that resell our services. We refer to these customers as “resellers.” We consider these resellers (rather than the end user customers of these resellers) to be subscribers under our total subscribers definition, because we do not have a billing relationship with the end users and cannot determine the number of end users acquiring our services through a reseller. A majority of our reseller revenue is for the purchase of domains and is primarily related to our domain segment. Approximately 41% of our domain segment revenue is earned from resellers. Reseller revenue earned by our web presence segment and our email marketing segment was less than 4% and less than 1%, respectively, for all periods presented, and fluctuations in reseller revenue have not materially impacted ARPS for these segments.

Comparison of Year Ended December 31, 2018 and 2019: ARPS

For the years ended December 31, 2018 and 2019, consolidated ARPS decreased from $19.37 to $19.35, respectively. This decrease in ARPS was driven primarily by lower ARPS in our domain segment, and to a lesser extent by a decrease in ARPS in our web presence segment. These decreases were partially offset by higher ARPS in our email marketing segment.

Web presence ARPS decreased from $13.47 for the year ended December 31, 2018 to $13.34 for the year ended December 31, 2019, primarily due to the impact of more subscribers joining our platform at introductory pricing, which is typically lower than renewal pricing.

Email marketing ARPS increased from $67.28 for the year ended December 31, 2018 to $69.58 for the year ended December 31, 2019, primarily due to additional purchases by existing subscribers and price increases.

Domain ARPS decreased from $16.05 for the year ended December 31, 2018 to $15.02 for the year ended December 31, 2019. This decrease was partially due to a decrease in non-subscription-based revenue, including sales of premium domains and domain monetization, from $25.8 million for fiscal year 2018 to $23.4 million for fiscal year 2019, which decreased ARPS by $0.39, and the balance of the decrease was attributable to an increased number of subscribers to our lower-priced product offerings.

Comparison of Year Ended December 31, 2017 and 2018: ARPS

For the years ended December 31, 2017 and 2018, consolidated ARPS increased from $18.82 to $19.37, respectively. This increase in ARPS was driven primarily by our email marketing segment, and to a lesser extent, a focus on higher lifetime revenue subscribers in our web presence segment. These increases in ARPS were partially offset by lower ARPS in our domain segment.

Web presence ARPS increased from $13.29 for the year ended December 31, 2017 to $13.47 for the year ended December 31, 2018, primarily due to a shift in our marketing programs away from targeting subscribers for our lower priced products, and towards targeting subscribers who have higher lifetime revenue potential. This shift in focus has resulted in a loss of subscribers of lower priced products, resulting in an overall increase in ARPS.

Email marketing ARPS increased from $62.92 for the year ended December 31, 2017 to $67.28 for the year ended December 31, 2018, primarily due to price increases and additional purchases by existing subscribers.

Domain ARPS decreased from $16.98 for the year ended December 31, 2017 to $16.05 for the year ended December 31, 2018. This decrease was partially due to a decrease in non-subscription-based revenue, including domain monetization and marketing development funds, from $27.6 million for fiscal year 2017 to $25.8 million for fiscal year 2018, which decreased ARPS by $0.33, and the balance of the decrease was attributable to increased sales of lower priced products.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), excluding the impact of interest expense (net), income tax expense (benefit), depreciation, amortization of other intangible assets, stock-based compensation, restructuring expenses, transaction expenses and charges, gain on sale of business, (gain) loss of unconsolidated entities, impairment of goodwill and other long-lived assets, SEC investigations reserve, and shareholder litigation reserve. We view adjusted EBITDA as a performance measure and believe it helps investors evaluate and compare our core operating performance from period to period.

SEC investigations reserve refers to a reserve we recorded in the third quarter of 2017 in connection with the Securities and Exchange Commission investigations initiated against Endurance and Constant Contact in December 2015, which we settled in June 2018. Shareholder litigation reserve refers to a reserve we first recorded in the first quarter of 2018 in connection with shareholder class action lawsuits filed against each of Endurance and Constant Contact in 2015. As described in Note 18, *Commitments and Contingencies*, to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K, we settled the Endurance lawsuit during 2019, and we expect the final settlement hearing for the Constant Contact lawsuit to take place in 2020.

The following table reflects the reconciliation of adjusted EBITDA to net (loss) income calculated in accordance with GAAP for the periods presented.

	Year Ended December 31,		
	2017	2018	2019
Consolidated	(in thousands)		
Net (loss) income	$ (99,784)	$ 4,534	$ (12,347)
Interest expense, net[1]	156,406	148,391	143,454
Income tax (benefit) expense	(17,281)	(6,246)	17,879
Depreciation	55,185	48,207	44,951
Amortization of other intangible assets	140,354	103,148	85,183
Stock-based compensation	60,001	29,064	35,692
Restructuring expenses	15,810	3,368	1,992
Transaction expenses and charges	773	—	—
Gain on sale of business	—	—	(40,700)
(Gain) loss of unconsolidated entities[2]	(110)	267	—
Impairment of goodwill and other long-lived assets	31,460	—	37,540
SEC investigations reserve	8,000	—	—
Shareholder litigation reserve	—	7,325	—
Adjusted EBITDA	**$ 350,814**	**$ 338,058**	**$ 313,644**

	Year Ended December 31,		
	2017	2018	2019
Web presence	(in thousands)		
Net loss	$ (64,962)	$ (22,534)	$ (44,886)
Interest expense, net[1]	67,491	70,956	66,779
Income tax expense (benefit)	4,063	(4,961)	9,261
Depreciation	37,634	32,915	32,344
Amortization of other intangible assets	60,277	47,020	36,906
Stock-based compensation	46,641	16,000	19,086
Restructuring expenses	9,131	2,135	752
Transaction expenses and charges	—	—	—
Gain on sale of business	—	—	—
(Gain) loss of unconsolidated entities[2]	(110)	267	—
Impairment of goodwill and other long-lived assets	600	—	12,333
SEC investigations reserve	4,323	—	—
Shareholder litigation reserve	—	4,780	—
Adjusted EBITDA	**$ 165,088**	**$ 146,578**	**$ 132,575**

Email marketing	Year Ended December 31, 2017	2018	2019
	(in thousands)		
Net (loss) income	$ (10,615)	$ 38,628	$ 67,412
Interest expense, net(1)	86,914	68,317	72,826
Income tax expense	5,152	115	6,600
Depreciation	13,912	11,497	9,027
Amortization of other intangible assets	74,467	53,100	45,876
Stock-based compensation	6,934	9,638	12,307
Restructuring expenses	5,581	589	1,207
Transaction expenses and charges	773	—	—
Gain on sale of business	—	—	(40,700)
(Gain) loss of unconsolidated entities(2)	—	—	—
Impairment of goodwill and other long-lived assets	—	—	—
SEC investigations reserve	2,751	—	—
Shareholder litigation reserve	—	1,500	—
Adjusted EBITDA	**$ 185,869**	**$ 183,384**	**$ 174,555**

Domain	Year Ended December 31, 2017	2018	2019
	(in thousands)		
Net loss	$ (24,207)	$ (11,560)	$ (34,873)
Interest expense, net(1)	2,001	9,118	3,849
Income tax (benefit) expense	(26,496)	(1,400)	2,018
Depreciation	3,639	3,795	3,580
Amortization of other intangible assets	5,610	3,028	2,401
Stock-based compensation	6,426	3,426	4,299
Restructuring expenses	1,098	644	33
Transaction expenses and charges	—	—	—
Gain on sale of business	—	—	—
(Gain) loss of unconsolidated entities(2)	—	—	—
Impairment of goodwill and other long-lived assets	30,860	—	25,207
SEC investigations reserve	926	—	—
Shareholder litigation reserve	—	1,045	—
Adjusted EBITDA	**$ (143)**	**$ 8,096**	**$ 6,514**

(1) Interest expense includes impact of amortization of deferred financing costs, original issuance discounts and interest income. For the years ended December 31, 2017 and 2018, it also includes $6.5 million and $1.2 million, respectively, of deferred financing costs and original issuance discounts (OID) immediately expensed upon the refinancing of our term loan in 2017 and 2018.

(2) For all years presented, (gain) loss of unconsolidated entities is reported on a net basis, which includes our proportionate share of net (income) losses from unconsolidated entities, any (gain) loss recorded when we acquired our controlling interest in these entities and any impairments related to these entities.

Comparison of the Years Ended December 31, 2018 and 2019: Net (Loss) Income and Adjusted EBITDA

Net income (loss) on a consolidated basis decreased from net income of $4.5 million for the year ended December 31, 2018 to a net loss of $12.3 million for the year ended December 31, 2019. This change was primarily due to higher net losses in our web presence and domain segments, partially offset by higher net income in our email marketing segment. These changes in segment net income (loss) were significantly impacted by impairment charges and by the gain from the disposition of our SinglePlatform business, as well as by changes in revenue, income taxes, amortization, stock-based compensation and depreciation expenses, as discussed below.

Net loss for our web presence segment increased from $22.5 million for the year ended December 31, 2018 to $44.9 million for the year ended December 31, 2019. The increase in net loss was primarily related to lower revenue of $28.6 million, higher income tax expense allocated to this segment of $14.2 million, impairment charges of $12.3 million relating to goodwill for two of our non-strategic reporting units, higher costs impacting engineering and development of $10.5 million, higher costs impacting general and administrative expense of $3.6 million (net of a $2.2 million insurance reimbursement of legal fees), and higher stock-based compensation of $3.1 million. These increases in net loss were partially offset by lower costs impacting sales and marketing of $15.8 million, lower costs impacting cost of revenue of $12.9 million, lower amortization expense of $10.1 million, the impact of the shareholder litigation reserve of $4.8 million allocated to this segment during the year ended December 31, 2018, lower interest expense allocated to this segment of $4.2 million, lower restructuring expense of $1.4 million, and lower depreciation expense of $0.6 million.

Net income for our email marketing segment increased from $38.6 million for the year ended December 31, 2018 to $67.4 million for the year ended December 31, 2019. This improvement was primarily related to gain from the disposition of SinglePlatform of $40.7 million, reduced amortization expense of $7.2 million, reduced depreciation expense of $2.5 million, the impact of the shareholder litigation reserve of $1.5 million recorded during the year ended December 31, 2018, reduced costs impacting general and administrative expense of $1.5 million (net of a $1.6 million insurance reimbursement of legal fees), and higher revenue of $0.6 million. These factors were partially offset by an increase in income tax expense allocated to this segment of $6.5 million, higher interest expense allocated to this segment of $4.5 million, higher costs impacting engineering and development of $6.5 million, higher costs impacting sales and marketing of $3.3 million, higher stock-based compensation expense of $2.7 million, higher costs impacting cost of revenue of $1.1 million, and higher restructuring costs of $0.6 million.

Net loss for our domain segment increased from $11.6 million for the year ended December 31, 2018 to $34.9 million for the year ended December 31, 2019. This was primarily due to an impairment charge of $25.2 million relating to long-lived intangible assets, lower revenue of $4.0 million, an increase in income tax expense allocated to this segment of $3.4 million and higher stock-based compensation expense of $0.9 million. The increase in net loss was partially offset by a decrease in interest expense allocated to this segment of $5.3 million, the impact of the shareholder litigation reserve of $1.0 million allocated to this segment during the year ended December 31, 2018, a reduction of amortization expense of $0.6 million, a reduction in restructuring expense of $0.6 million and an insurance reimbursement of legal fees of $0.4 million.

Adjusted EBITDA on a consolidated basis decreased from $338.1 million for the year ended December 31, 2018 to $313.6 million for the year ended December 31, 2019. This decrease was primarily attributable to our web presence and email marketing segments, and to a lesser extent, to our domain segment as described below. We also expect a decrease in adjusted EBITDA from fiscal year 2019 to fiscal year 2020, as we continue to invest in engineering and development and sales and marketing.

Adjusted EBITDA for our web presence segment decreased from $146.6 million for the year ended December 31, 2018 to $132.6 million for the year ended December 31, 2019. This decrease was primarily due to a $28.6 million decline in revenue and increased engineering and development and general and administrative expense of $10.5 million and $3.6 million, respectively, in both cases primarily due to higher labor costs. This decrease in adjusted EBITDA was partially offset by lower sales and marketing costs of $15.8 million, which primarily consisted of reduced expenditures on non-strategic brands, and lower cost of revenue of $12.9 million, primarily due to lower support costs, data center costs and domain registration costs.

Adjusted EBITDA for our email marketing segment decreased from $183.4 million for the year ended December 31, 2018 to $174.6 million for the year ended December 31, 2019. This decrease was primarily attributable to increased engineering and development costs of $6.5 million, primarily due to increased labor costs; higher sales and marketing costs of $3.3 million, primarily due to higher labor costs; and higher costs impacting cost of revenue of $1.1 million, primarily due to higher support costs. These factors were partially offset by $0.6 million of revenue growth and lower general and administrative expense of $1.5 million.

Adjusted EBITDA for our domain segment decreased from $8.1 million for the year ended December 31, 2018 to $6.5 million for the year ended December 31, 2019. This decrease was attributable to lower revenue of $4.0 million; higher sales and marketing costs of $3.9 million, primarily due to higher program spend and higher labor costs; and higher engineering and development costs of $1.0 million, primarily due to higher labor costs. These factors were partially offset by lower general and administrative costs of $3.8 million, primarily due to labor costs, and lower cost of revenue of $3.6 million, primarily due to lower domain registration costs.

Comparison of the Years Ended December 31, 2017 and 2018: Net Income (Loss) and Adjusted EBITDA

Net income (loss) on a consolidated basis improved from a net loss of $99.8 million for the year ended December 31, 2017 to net income of $4.5 million for the year ended December 31, 2018. This change was primarily due to improved net income (loss) from our email marketing, web presence and domain segments of $49.2 million, $42.4 million, and $12.6 million, respectively. These improvements in segment net loss were significantly impacted by changes in stock-based compensation, amortization expense, impairment charges, restructuring charges and cost of revenue, among other factors, as described more fully below.

Net loss for our web presence segment decreased from $65.0 million for the year ended December 31, 2017 to $22.5 million for the year ended December 31, 2018. The decrease in net loss was primarily related to lower stock-based compensation of $30.6 million, lower amortization expense of $13.3 million, lower operating expenses of $10.4 million, lower costs impacting cost of revenue of $7.8 million, lower restructuring charges of $7.0 million, lower income tax expense of $9.0 million, and lower depreciation expense of $4.7 million. These factors were partially offset by a $36.7 million decrease in revenue and higher interest expense of $3.5 million.

Net income (loss) for our email marketing segment improved from a net loss of $10.6 million for the year ended December 31, 2017 to net income of $38.6 million for the year ended December 31, 2018. This improvement was primarily related to reduced amortization expense of $21.4 million, reduced interest expense allocated to our email marketing segment of $18.6 million, increased revenue of $8.8 million, and other cost reductions, consisting mainly of lower restructuring costs and lower income tax expense totaling $14.1 million. These increases in net income were partially offset by increased engineering and development expense.

Net loss for our domain segment decreased from $24.2 million for the year ended December 31, 2017 to $11.6 million for the year ended December 31, 2018. This decrease was primarily due to a reduction of $30.9 million in impairment charges related to both goodwill and long-lived assets which was incurred in the year ended December 31, 2017 and did not reoccur in the year ended December 31, 2018, and lower cost of revenue of $8.0 million, primarily related to lower domain registration costs. These cost decreases were partially offset by a reduction of the income tax benefit allocated to this segment of $25.1 million and other net cost increases of $1.2 million.

Adjusted EBITDA on a consolidated basis decreased from $350.8 million for the year ended December 31, 2017 to $338.1 million for the year ended December 31, 2018. This decrease is primarily attributable to our web presence and email marketing segments, partially offset by an increase in our domain segment as described below.

Adjusted EBITDA for our web presence segment decreased from $165.1 million for the year ended December 31, 2017 to $146.6 million for the year ended December 31, 2018. This decrease was primarily due to a $36.7 million decline in revenue and to increased engineering and development expense of $3.6 million. This decrease was partially offset by an $8.1 million decrease in sales and marketing expense, which primarily consisted of reduced expenditures on non-strategic brands; lower cost of revenue of $7.8 million, primarily due to lower support costs and data center costs; and lower general and administrative expense of $5.9 million, primarily due to lower labor costs.

Adjusted EBITDA for our email marketing segment decreased from $185.9 million for the year ended December 31, 2017 to $183.4 million for the year ended December 31, 2018. This decrease was primarily attributable to increased engineering and development costs of $9.7 million, primarily due to increased labor costs, and higher sales and marketing costs of $3.9 million, primarily due to higher marketing program spend. This decrease was partially offset by $8.8 million of revenue growth (which includes the impact of price increases); lower general and administrative expense of $1.6 million; and lower cost of revenue of $0.8 million, primarily due to lower data center costs.

Adjusted EBITDA for our domain segment increased from a loss of $0.1 million for the year ended December 31, 2017 to income of $8.1 million for the year ended December 31, 2018. This increase was attributable to lower cost of revenue of $8.0 million, primarily due to lower domain registration costs and lower support costs; lower general and administrative expenses of $5.0 million, primarily due to labor costs; and lower sales and marketing related costs of $0.3 million, primarily related to changes in labor and program spend. This increase was partially offset by a $3.7 million decrease in revenue, most of which related to domain monetization, and higher engineering and development costs of $1.4 million, primarily due to increased labor costs.

Free Cash Flow

For a discussion of free cash flow, see "*Liquidity and Capital Resources.*"

Components of Operating Results

Revenue

We generate revenue primarily from selling subscriptions for our cloud-based products and services. The subscriptions we offer are similar across all of our brands and are provided under contracts pursuant to which we have ongoing obligations to support the subscriber. These contracts are generally for service periods of up to 36 months and typically require payment in advance at the time of initiating the subscription for the entire subscription period. Typically, we also have arrangements in place to automatically renew a subscription at the end of the subscription period. Due to factors such as discounted introductory pricing, our renewal fees may be higher than our initial subscription. A majority of our web presence segment and domain segment subscriptions have terms of 24 months or less, while our email marketing segment sells subscriptions that are mostly one-month terms. We also earn revenue from the sale of domain name registrations, premium domains and non-term based products and services, such as certain online security products and professional technical services as well as through referral fees and commissions.

Cost of Revenue

Cost of revenue includes costs of operating our customer support organization, fees we pay to register domain names for our customers, costs of operating our data center infrastructure, such as technical personnel costs associated with monitoring and maintaining our network operations, fees we pay to third-party product and service providers, and merchant fees we pay as part of our billing processes. We also allocate to cost of revenue the depreciation and amortization related to these activities and the intangible assets we have acquired, as well as a portion of our overhead costs attributable to our employees engaged in customer support activities. In addition, cost of revenue includes stock-based compensation expense for employees engaged in support and network operations. Excluding potential impacts of future changes in operations, we generally expect cost of revenue to decrease on an absolute dollar basis due to an anticipated decrease in amortization expense on our existing intangible assets.

Gross Profit

Gross profit is the difference between revenue and cost of revenue. Gross profit has fluctuated from period to period in large part as a result of revenue and cost of revenue adjustments from purchase accounting impacts related to acquisitions, as well as revenue and cost of revenue impacts related to developments in our business. With respect to revenue, the application of purchase accounting requires us to record purchase accounting adjustments for acquired deferred revenue, which reduces the revenue recorded from acquisitions for a period of time after the acquisition. The impact generally normalizes within a year following the acquisition. With respect to cost of revenue, the application of purchase accounting requires us to defer domain registration costs, which reduces cost of revenue, and record long-lived assets at fair value, which increases cost of revenue through an increase in amortization expense over the estimated useful life of the long-lived assets. For a new customer that we bring on to our platform, we typically recognize revenue over the term of the subscription, even though we collect the subscription fee at the initial billing. As a result, our gross profit may be affected by the prices we charge for our subscriptions, as well as by the number of new subscribers and the terms of their subscriptions. We expect our gross profit to increase in absolute dollars in future periods, and that our gross profit margin will also increase as amortization expense related to our intangible assets declines.

Operating Expense

We classify our operating expense into three categories: sales and marketing, engineering and development, and general and administrative. In 2016, we started breaking out transaction expense due to the significance of the costs incurred to acquire Constant Contact. In 2017, we started breaking out impairment of goodwill due to the significance of the charge incurred in our domain segment. In 2019, we started breaking out gain on sale of business due to the significance of the gain associated with the disposition of our SinglePlatform business.

Sales and Marketing

Sales and marketing expense primarily consists of costs associated with bounty payments to our network of online partners, search engine marketing, or SEM, and search engine optimization, or SEO, general awareness and brand building activities, as well as the cost of employees engaged in sales and marketing activities. Sales and marketing expense also includes costs associated with sales of products as well as stock-based compensation expense for employees engaged in sales and marketing activities. Sales and marketing expense as a percentage of revenue may increase or decrease in a given period, depending on the cost of attracting new customers to our solutions, changes in how we invest in different customer acquisition channels, changes in how we approach SEM and SEO and the extent of general awareness and brand building activities we may undertake, as well as the efficiency of our sales and support personnel and our ability to sell more products and services to our subscribers and drive favorable returns on invested marketing dollars.

Engineering and Development

Engineering and development expense includes the cost of employees engaged in enhancing our technology platform and our systems, developing and expanding product and service offerings, and integrating technology capabilities from our acquisitions. Engineering and development expense includes stock-based compensation expense for employees engaged in engineering and development activities. Our engineering and development expense does not include costs of leasing and operating our data center infrastructure, such as technical personnel costs associated with monitoring and maintaining our network operations and fees we pay to third-party product and service providers, which are included in cost of revenue.

General and Administrative

General and administrative expense includes the cost of employees engaged in corporate functions, such as finance and accounting, information technology, human resources, legal and executive management. General and administrative expense also includes insurance premiums, professional service fees, and cost incurred related to regulatory and litigation matters.

General and administrative expense includes stock-based compensation expense for employees engaged in general and administrative activities.

Other Income (Expense)

Other income (expense) consists primarily of costs related to, and interest paid on, our indebtedness. We include in our calculation of interest expense the cash cost of interest payments and loan financing fees, the amortization of deferred financing costs and original issue discounts and the amortization of the net present value adjustment which we may apply to some deferred consideration payments related to our acquisitions in our calculation of interest expense. Interest income consists primarily of interest income earned on our cash and cash equivalents balances.

Income Tax Expense (Benefit)

We estimate our income taxes in accordance with the asset and liability method. Under this method we determine deferred tax assets and liabilities based on differences between the financial reporting and tax bases of our assets and liabilities. We measure deferred tax assets and liabilities using the enacted tax rates and laws that will be in effect when we expect the differences to reverse. We reduce our deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that we will not realize some portion or all of the deferred tax assets. We consider relevant evidence, both positive and negative, to determine the need for a valuation allowance. Information evaluated includes our financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities and an evaluation of currently available information about future years.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reported periods. We base our estimates, judgments and assumptions on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from the estimates, judgments and assumptions made by our management. To the extent that there are differences between our estimates, judgments and assumptions and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows may be affected.

See Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of recently issued accounting pronouncements.

We believe that the following significant accounting policies, which are more fully described in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations. We believe that our critical accounting policies and estimates are the assumptions and estimates associated with the following:

- revenue recognition
- goodwill
- long-lived assets
- business combinations
- derivative instruments
- depreciation and amortization
- income taxes
- stock-based compensation arrangements
- segment information

Revenue Recognition

We generate revenue primarily from selling subscriptions to our cloud-based products and services. The subscriptions we offer are similar across all of our brands and are provided under contracts pursuant to which we have ongoing obligations to support the subscriber. These contracts are generally for service periods of up to 36 months and typically require payment in advance. We recognize the associated revenue ratably over the service period, whether the associated revenue is derived from a direct subscriber or through a reseller. Deferred revenue represents the liability to subscribers for advance billings for services not yet provided and the fair value of the assumed liability outstanding for subscriber relationships purchased in an acquisition.

We sell domain name registrations that provide a subscriber with the exclusive use of a domain name. These domains are obtained either by one of our registrars on the subscriber's behalf, or by us from third-party registrars on the subscriber's behalf. Domain registration fees are non-refundable.

Revenue from the sale of a domain name registration by one of our registrars is recognized ratably over the subscriber's service period as we have the obligation to provide support over the domain term. Revenue from the sale of a domain name registration purchased by us from a third-party registrar is recognized when the subscriber is billed on a gross basis as we have no remaining obligations once the sale to the subscriber occurs, and we have full discretion on the sales price and bear all credit risk.

Revenue from the sale of premium domains is recognized when persuasive evidence of an arrangement to sell such domains exists and delivery of an authorization key to access the domain name has occurred. Premium domain names are paid for in advance prior to the delivery of the domain name.

We also earn revenue from the sale of non-term based products and services, such as online security products and professional technical services, referral fees and commissions. We recognize such revenue when the product is purchased, the service is provided or the referral fee or commission is earned.

Contracts with Multiple Performance Obligations

A considerable amount of our revenue is generated from transactions that are contracts with customers that may include hosting plans, domain name registrations, and other cloud-based products and services. In these cases, we determine whether the products and services are distinct performance obligations that should be accounted for separately versus together. We allocate revenue to each performance obligation based on its relative standalone selling price, generally based on the price charged to customers. Hosting services, domain name registrations, and other cloud-based products and services have distinct performance obligations and are often sold separately. If the promise is not distinct and there is not a performance obligation, then the total transaction amount is allocated to the identified performance obligation based on a relative selling price hierarchy. When multiple performance obligations are included in a contract, the total transaction amount for the contract is allocated to the performance obligations based on a relative selling price hierarchy. We determine the relative selling price for a performance obligation based on a standalone selling price, or SSP. We determine SSP by considering our observed standalone selling prices, competitive prices in the marketplace and management judgment; these standalone selling prices may vary depending upon the particular facts and circumstances related to each performance obligation. We analyze the standalone selling prices used in our allocation of transaction amount, at a minimum, on a quarterly basis.

We maintain a reserve for refunds and chargebacks related to revenue that has been recognized and is expected to be refunded. We had a refund and chargeback reserve of $0.4 million and $0.3 million as of December 31, 2018 and 2019, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2018 and 2019 was $2.2 million and $1.9 million, respectively. Based on refund history, approximately 84% of all refunds happen in the same fiscal month that the customer contract starts or renews, and approximately 95% of all refunds happen within 45 days of the contract start or renewal date.

Goodwill

Goodwill relates to amounts that arose in connection with various acquisitions and represents the difference between the purchase price and the fair value of the identifiable intangible and tangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but it is subject to periodic review for impairment. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, a decline in the equity value of the business, a significant adverse change in certain agreements that would materially affect reported operating results, business climate or operational performance of the business and an adverse action or assessment by a regulator.

In accordance with ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment*, or ASU 2011-08, we are required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. A reporting unit is either the equivalent of, or one level below, an operating segment. We early adopted the provisions in ASU 2017-04, which eliminates the second step of the goodwill impairment test. As a result, our goodwill impairment tests include only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit is impaired.

The carrying value of each reporting unit is based on the assignment of the appropriate assets and liabilities to each reporting unit. Assets and liabilities were assigned to each reporting unit if the assets or liabilities are employed in the operations of the reporting unit and the asset and liability is considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and were allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue.

Our goodwill impairment test as of October 31, 2017 resulted in a $12.1 million impairment of goodwill to our domain monetization reporting unit within the domain segment. The impairment was a direct result of a more rapid decline in domain parking revenue than originally expected, and to a lesser extent, reduced sales of premium domain names. Goodwill for this reporting unit was completely impaired. Goodwill allocated to the other six reporting units to which goodwill has been allocated was not impaired.

As of the test date of October 31, 2018, the fair value for all reporting units was higher than their respective carrying values, and no impairment was recorded. No triggering events were identified between the October 31, 2018 test and December 31, 2018.

For the annual impairment test as of October 31, 2019, we had a total of seven reporting units to which goodwill has been allocated. Additionally, we have three smaller reporting units to which no goodwill has been allocated, as they had been determined to have no material fair value, and one reporting unit which has no remaining goodwill allocated to it.

We determine the fair value of each reporting unit by utilizing the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk adjusted rate. We derive our discount rates by using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted-average cost of capital. We use discount rates that are commensurate with the risks and uncertainty inherent in our business and in our internally developed forecasts. For fiscal years 2017 and 2018, we used a discount rate of 10.0% for all but one of our reporting units. For fiscal year 2019, we used a discount rate of 10.5% for all but three of our reporting units. For two of our reporting units, which are experiencing declining cash flows, we used a discount rate of 13.0% and 13.5%, respectively, to adjust for the risk in the projected cash flows. For the remaining reporting unit, which had just been acquired in September 2019, we used a discount rate of 15.5%, to adjust for the risk in the projected cash flows. We also performed sensitivity analysis on our discount rates. We use internal forecasts to estimate future after-tax cash flows, which include an estimate of long-term future growth rates based on our view of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts.

For the market approach, we use a valuation technique in which values are derived based on valuation multiples from comparable public companies, and a valuation multiple from sales of comparable companies.

For the fiscal 2017 goodwill impairment analysis, we compared the fair value from the income approach to the market approach based on multiples of comparable public companies and noted no material variances in the valuation techniques.

For the fiscal 2018 goodwill impairment analysis, we compared the fair value from the income approach to two market approaches, which included a valuation multiple of comparable public companies and a valuation multiple from sales of comparable companies. For three of our reporting units, which represented approximately 95% of our goodwill at the time of the 2018 goodwill impairment analysis, the fair value derived from the income approach was consistent with the fair value derived from the two market approaches. We established the fair value for these reporting units based on the average fair value from all three valuation approaches.

For the fiscal 2018 goodwill impairment analysis, for two of our reporting units, which represented approximately 3% of our goodwill, we based their fair value entirely upon the income approach, as these two reporting units were experiencing declining cash flows and were expected to continue to experience declines over time. The fair values from the income approach for these two reporting units were materially below the fair values derived from both market approaches. The goodwill allocated to these two reporting units was approximately $64.2 million as of December 31, 2018. For one of our reporting units, which represented approximately 2% of our goodwill, the fair values derived from the market approaches were much lower than the income approach using a discount rate of 10%. We determined that more risk was present in the projected future cash flows of this reporting unit as compared to our other reporting units and determined that a discount rate of 17% was appropriate. The fair value of this reporting unit under the income approach at a discount rate of 17% was consistent with the fair values determined under the two market approaches. We established fair value for this reporting unit based on the average fair value from all three valuation approaches.

For the fiscal 2019 goodwill impairment analysis, we compared the fair value from the income approach to two market approaches, which included a valuation multiple of comparable public companies and a valuation multiple from sales of comparable companies. For three of the reporting units, which represent approximately 97% of our goodwill as of December 31, 2019, we established the fair value based on the average fair value from all three valuation approaches. For two of the remaining reporting units, which represent approximately 3% of our goodwill as of December 31, 2019, we established fair value based on the income approach only, because these reporting units are experiencing declining cash flows. We calculated and recognized a partial impairment of $10.0 million for one of these reporting units and a full impairment of $2.3 million for the second of these reporting units. For the other two reporting units for which the income approach was used, we had just acquired one reporting unit in the three months ended September 30, 2019, and we were in the process of disposing of the other reporting unit through a sale in December 2019.

Goodwill as of December 31, 2019 was $1,835.3 million. The carrying value of goodwill that was allocated to the web presence, email marketing and domain segments was $1,202.0 million, $603.4 million and $29.9 million, respectively. The fair value of all but three of the reporting units with goodwill at December 31, 2019 exceeds each reporting unit's carrying value by at least 20%.

Of the other three reporting units with less than 20% excess of fair value over carrying value, one reporting unit is forecast to experience continuing negative growth in both revenue and cash flows. Given this fact pattern, we relied upon the income approach in order to quantify the impact of persistent negative growth expectations and to develop a fair value for this reporting unit. The goodwill allocated to this reporting unit as of December 31, 2019 was $52.0 million. We expect that cash flows will continue to decline, which could result in goodwill impairment charges for this reporting unit at some point in the future.

The second reporting unit with less than a 20% excess of fair value over carrying value was acquired in September 2019. Based on the short duration between the acquisition date and the testing date, and lacking indications of specific events that either positively or negatively impacted the carrying value, fair value on this reporting unit approximated the allocated goodwill. Goodwill for this reporting unit as of December 31, 2019 was approximately $7.0 million.

The third reporting unit represents a combination of different hosting brands, which we will continue to monitor in the future. Though near term cash flows are projected to decline, growth in the cash flows is expected to return after further investments in engineering and development and sales and marketing are made. This reporting unit's fair value was established using three valuation methods, equally weighted. As the reporting unit passed the goodwill impairment test with equal weight given to the three approaches, we did not adjust the weight given to the three valuation approaches. As of December 31, 2019, the fair value of this reporting unit, as estimated based upon the Company's future projections, exceeded its carrying value by less than 4%. In the event our investments in engineering and development and sales and marketing do not generate the anticipated improvement in future operating performance, then future impairments may be recognized for this reporting unit. Goodwill for this reporting unit as of December 31, 2019 was approximately $1.2 billion.

Long-Lived Assets

Our long-lived assets consist primarily of intangible assets, including acquired subscriber relationships, trade names, intellectual property, developed technology, and domain names available for sale. We also have long-lived tangible assets, primarily consisting of property and equipment. The majority of our intangible assets have been recorded in connection with our acquisitions, including the acquisition of a controlling interest in our company by investment funds and entities affiliated with Warburg Pincus and Goldman, Sachs & Co. We record intangible assets at fair value at the time of their acquisition. We amortize intangible assets over their estimated useful lives.

Our determination of the estimated useful lives of the individual categories of intangible assets is based on the nature of the applicable intangible asset and the expected future cash flow to be derived from the intangible asset. We amortize intangible assets with finite lives in accordance with their estimated projected cash flows.

We evaluate long-lived intangible and tangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present and undiscounted future cash flows are less than the carrying amount, then we determine the fair value of the assets and compare it to the carrying value. If the fair value is less than the carrying value, then we reduce the carrying value to the estimated fair value and record an impairment loss in the period it is identified.

Indefinite life intangibles include domain names that are available for sale which are recorded at cost to acquire. These assets are not being amortized and are being tested for impairment annually and whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When a domain name is sold, we record the cost of the domain in cost of revenue.

During the year ended December 31, 2017, we recognized an impairment charge of $13.8 million relating to certain domain name intangible assets acquired in 2014, as the intangible assets were producing diminished cash flows. In addition, we recognized an impairment charge of $4.9 million primarily relating to developed technology and customer relationships associated with our acquisition of the Directi web presence business in 2014. This impairment also resulted from diminished cash flows associated with these intangible assets.

We did not recognize any impairments of long-lived intangible and tangible assets in the year ended December 31, 2018.

During the year ended December 31, 2019, we recognized impairment charges totaling $25.2 million relating primarily to premium domain name intangible assets acquired in 2014, which was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss). The impairment resulted from recent market conditions that have adversely impacted cash flows from these assets, and these market conditions are expected to continue.

Derivative Instruments

Accounting Standards Codification 815, or ASC 815, *Derivatives and Hedging*, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain our objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

In accordance with the FASB's fair value measurement guidance in Accounting Standards Update No. 2011-04, or ASU 2011-04, *Fair Value Measurement (Topic 820),* we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Business Combinations

We account for business acquisitions using the purchase method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

Significant judgments are used in determining fair values of assets acquired and liabilities assumed, as well as intangibles and their estimated useful lives. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, royalty cost savings and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as our current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within our operating results.

Changes in the fair value of a contingent consideration resulting from a change in the underlying inputs are recognized in results of operations until the arrangement is settled.

Depreciation and Amortization

We purchase or build the servers we place in our data centers, one of which we own and the remainder of which we occupy pursuant to various lease or co-location arrangements. We also purchase the computer equipment that is used by our support and sales teams and employees in our offices. We capitalize the build-out of our facilities as leasehold improvements. Cost of revenue includes depreciation on data center equipment and support infrastructure. We include depreciation in general and administrative expense, which includes depreciation on office equipment and leasehold improvements.

Amortization expense consists of expense related to the amortization of intangible long-lived assets. In connection with our acquisitions, we allocate fair value to acquired long-lived intangible assets, which include subscriber relationships, trade names and developed technology. We use estimates and valuation techniques to determine the estimated useful lives of our intangible assets and amortize them to cost of revenue.

Income Taxes

We provide for income taxes in accordance with Accounting Standards Codification 740, or ASC 740, *Accounting for Income Taxes*. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. We measure deferred tax assets and liabilities using enacted tax rates that we expect to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We recognize the effect of changes in tax rates on deferred tax assets and liabilities in the period that includes the enactment date.

ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. We measure recognized income tax positions at the largest amount that is more likely than not to be realized. We reflect changes in recognition or measurement in the period in which the change in judgment occurs. We had unrecognized tax benefits for uncertain tax positions of $4.4 million and $4.7 million as of December 31, 2018 and 2019, respectively.

We record interest related to unrecognized tax benefits in interest expense and penalties in operating expense. We recognized $0.1 million, $0.4 million, and $0.5 million of interest and penalties related to unrecognized tax benefits during the years ended December 31, 2017, 2018 and 2019, respectively.

We describe our accounting treatment of taxes more fully in Note 16, *Income Taxes,* to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Stock-Based Compensation Arrangements

Accounting Standards Codification 718, or ASC 718, *Compensation—Stock Compensation*, requires employee stock-based payments to be accounted for under the fair value method. Under this method, we are required to record compensation cost based on the estimated fair value for stock-based awards granted over the requisite service periods for the individual awards, which generally equals the vesting periods. We use the straight-line amortization method for recognizing stock-based compensation expense. In addition, for stock-based awards where vesting is dependent upon achieving certain performance goals, we estimate the likelihood of achieving the performance goals against established performance targets.

We estimate the fair value of employee stock options on the date of grant using the Black-Scholes option-pricing model, which requires the use of highly subjective estimates and assumptions. For restricted stock awards granted by us we estimate the fair value of each restricted stock award based on the closing trading price of our common stock as reported on the Nasdaq Global Select Market on the date of grant. There was no public market for our common stock prior to October 25, 2013, the date our common stock began trading on the Nasdaq Global Select Market, and as a result, the trading history of our common stock was limited through December 31, 2019. Therefore, we determined the volatility for options granted by us based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted by us has been determined using a blended average of the historical volatility measures of this peer group of companies and of the historical volatility measures of our stock. The expected life assumption is based on the "simplified method" for estimating expected term as we do not have sufficient historical option exercises to support a reasonable estimate of the expected term. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. We use an expected dividend rate of zero as we currently have no history or expectation of paying dividends on our common stock.

Segment Information

Since the fourth quarter of 2017 through the end of 2019, we have had three reportable segments: web presence, email marketing, and domain. The products and services included in these segments are as follows:

Web Presence. Our web presence segment consists primarily of our web hosting brands, including Bluehost and HostGator. This segment also includes related products such as domain names, website security, website design tools and services, and e-commerce products.

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products. This segment also generates revenue from sales of our Constant Contact-branded website builder tool and our Ecomdash inventory management and marketplace listing solution, or Ecomdash, which we acquired in the third quarter of 2019. For most of 2019, the email marketing segment also included the SinglePlatform digital storefront business, which we sold on December 5, 2019.

Domain. Our domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with our domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to our web presence segment.

Our segments share certain resources, primarily related to sales and marketing, engineering and development, and general and administrative functions. We allocate these costs to each respective segment based on a consistently applied methodology.

In the second half of 2019, we started the process of simplifying our organization to support our two key strategic platforms, web presence (including our web hosting and domain offerings) and email marketing. In 2020, we plan to modify our internal reporting structure to reflect these changes in our structure and leadership, and also to change the name of the email marketing segment to the "digital marketing" segment. This will result in consolidation of our current domain segment into our web presence segment, such that we expect to report our financial results in two segments - web presence (including domains) and digital marketing - beginning with the first quarter of 2020.

Results of Operations

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Revenue	$ 1,176,867	$ 1,145,291	$ 1,113,278
Cost of revenue[(1)]	603,930	520,737	510,296
Gross profit	572,937	624,554	602,982
Operating expense:			
Sales and marketing	277,460	265,424	258,019
Engineering and development	78,772	87,980	106,377
General and administrative	163,972	124,204	117,967
Gain on sale of business	—	—	(40,700)
Transaction expenses	773	—	—
Impairment of goodwill	12,129	—	12,333
Total operating expense	533,106	477,608	453,996
Income from operations	39,831	146,946	148,986
Other income (expense)	(157,006)	(148,391)	(143,454)
(Loss) income before income taxes and equity earnings of unconsolidated entities	(117,175)	(1,445)	5,532
Income tax (benefit) expense	(17,281)	(6,246)	17,879
(Loss) income before equity earnings of unconsolidated entities	(99,894)	4,801	(12,347)
Equity (income) loss of unconsolidated entities, net of tax	(110)	267	—
Net (loss) income	$ (99,784)	$ 4,534	$ (12,347)
Net loss attributable to non-controlling interest	7,524	—	—
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (107,308)	$ 4,534	$ (12,347)

(1) Includes impairment of intangible assets of $18.7 million for the year ended December 31, 2017 and $25.2 million for the year ended December 31, 2019.

Comparison of the Years Ended December 31, 2018 and 2019

Revenue

	Year Ended December 31,		Change	
	2018	2019	Amount	%
	(dollars in thousands)			
Revenue	$ 1,145,291	$ 1,113,278	$ (32,013)	(3)%

Revenue decreased by $32.0 million, or 3%, from $1,145.3 million for the year ended December 31, 2018 to $1,113.3 million for the year ended December 31, 2019. This decrease was attributable to a $28.6 million decrease in revenue from our web presence segment and a $4.0 million decrease in revenue from our domain segment, partially offset by increased revenue of $0.6 million from our email marketing segment.

Our revenue is generated primarily from products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing, email marketing and other similar services. We also generate non-subscription-based revenue through domain monetization and marketing development funds. Non-subscription revenue decreased from $35.1 million, or 3% of revenue for the year ended December 31, 2018 to $31.5 million, or 3% of total revenue for the year ended December 31, 2019. The majority of our non-subscription revenue is included in our domain segment.

Our web presence segment revenue decreased by $28.6 million, or 5%, from $605.3 million for the year ended December 31, 2018 to $576.7 million for the year ended December 31, 2019. This decrease was primarily attributable to a decline in revenue from non-strategic brands.

Our email marketing segment revenue increased by $0.6 million, or 0%, from $410.1 million for the year ended December 31, 2018 to $410.7 million for the year ended December 31, 2019. This increase was mostly attributable to growth in services delivered to existing customers, and to a lesser extent, to price increases.

Our domain segment revenue decreased by $4.0 million, or 3%, from $129.9 million for the year ended December 31, 2018 to $125.9 million for the year ended December 31, 2019, which was caused in part by a reduction in non-subscription-based revenues, mainly from sales of premium domains, of $2.3 million, with the balance of the decrease related to declines in subscription-based revenues.

Gross Profit

	Year Ended December 31,					
	2018		2019		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Gross profit	$ 624,554	55%	$ 602,982	54%	$ (21,572)	(3)%

Gross profit decreased by $21.6 million, or 3%, from $624.6 million for the year ended December 31, 2018 to $603.0 million for the year ended December 31, 2019. This decrease was primarily due to a $24.7 million decrease in the gross profit contribution from our domain segment and a $3.9 million decrease in the gross profit contribution from our web presence segment, partially offset by a $7.0 million increase in the gross profit contribution from our email marketing segment. Our gross profit as a percentage of revenue decreased by 1 percentage point from 55% for the year ended December 31, 2018 to 54% for the year ended December 31, 2019, mainly due to our domain segment, which recorded impairments during fiscal year 2019.

Our web presence segment gross profit decreased by $3.9 million, or 1%, from $297.6 million for the year ended December 31, 2018 to $293.7 million for the year ended December 31, 2019. The decrease was primarily due to the reduction in revenue of $28.6 million discussed above, which was partially offset by lower cost of revenue, primarily due to lower amortization expense of $10.1 million, lower data center and third party costs of $6.7 million, lower labor related costs of $3.5 million, and lower domain registration costs of $2.5 million. Our web presence segment gross profit as a percentage of revenue was 51% for the year ended December 31, 2019 as compared to 49% in the prior year.

Our email marketing segment gross profit increased by $7.0 million, or 2%, from $288.0 million for the year ended December 31, 2018 to $295.1 million for the year ended December 31, 2019. This increase was primarily due to reduced cost of revenue of $6.4 million, primarily due to lower amortization expense of $7.2 million, and increased revenue of $0.6 million. Our email marketing segment gross profit as a percentage of revenue was 72% for the year ended December 31, 2019 as compared to 70% in the prior year.

Our domain segment gross profit decreased by $24.7 million, or 63%, from $38.9 million for the year ended December 31, 2018 to $14.2 million for the year ended December 31, 2019. This decrease was primarily due to impairment charges of $25.2 million and reduced revenue of $4.0 million, partially offset by reductions in cost of revenue. Our domain segment gross profit as a percentage of revenue was 11% for the year ended December 31, 2019 as compared to 30% in the prior year.

Operating Expense

	Year Ended December 31,					
	2018		2019		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Sales and marketing	$ 265,424	23%	$ 258,019	23 %	$ (7,405)	(3)%
Engineering and development	87,980	8%	106,377	10 %	18,397	21 %
General and administrative	124,204	11%	117,967	11 %	(6,237)	(5)%
Gain on sale of business	—	—%	(40,700)	(4)%	(40,700)	100 %
Impairment of goodwill	—	—%	12,333	1 %	12,333	100 %
Total	$ 477,608	42%	$ 453,996	41 %	$ (23,612)	(5)%

Sales and Marketing. Sales and marketing expense decreased by $7.4 million, or 3%, from $265.4 million for the year ended December 31, 2018 to $258.0 million for the year ended December 31, 2019. Of this decrease, $15.0 million was due to lower marketing expense in our web presence segment, primarily due to decreased marketing investments in non-strategic brands, partially offset by an increase of $4.0 million in our domain segment and $3.6 million in our email marketing segment. In fiscal year 2020, we expect to make additional investments in sales and marketing in order to promote and strengthen our brands.

Sales and marketing expense for our web presence segment decreased by $15.0 million, or 10%, from $147.7 million for the year ended December 31, 2018 to $132.7 million for the year ended December 31, 2019. This decrease was primarily attributable to reduced expense on non-strategic brands, which was partially offset by increased investments in key hosting brands.

Sales and marketing expense for our email marketing segment increased by $3.6 million, or 4%, from $97.8 million for the year ended December 31, 2018 to $101.4 million for the year ended December 31, 2019. The increase was primarily due to higher labor costs.

Sales and marketing expense for our domain segment increased by $4.0 million, or 20%, from $19.9 million for the year ended December 31, 2018 to $23.9 million for the year ended December 31, 2019. This increase was primarily attributable to increased marketing program spend of $3.1 million and higher labor costs of $0.9 million

Engineering and Development. Engineering and development expense increased by $18.4 million, or 21%, from $88.0 million for the year ended December 31, 2018 to $106.4 million for the year ended December 31, 2019. Of this increase, $10.7 million, $6.7 million and $1.1 million were due to increased engineering and development expense for our web presence, email marketing, and domain segments, respectively. For fiscal year 2020, we expect to continue to make investments in our engineering and development organization in order to further enhance our products.

Engineering and development expense for our web presence segment increased by $10.7 million, or 27%, from $39.0 million for the year ended December 31, 2018 to $49.7 million for the year ended December 31, 2019. This increase was primarily attributable to growth in engineering resources aimed at enhancing our products and higher product spend.

Engineering and development expense for our email marketing segment increased by $6.7 million, or 16%, from $41.3 million for the year ended December 31, 2018 to $48.0 million for the year ended December 31, 2019. This increase was primarily attributable to growth in engineering resources aimed at enhancing our products of $6.2 million and higher stock-based compensation expense of $0.5 million. These increases were partially offset by lower depreciation expense of $0.6 million.

Engineering and development expense for our domain segment increased by approximately $1.1 million, or 14%, from $7.7 million for the year ended December 31, 2018 to $8.7 million for the year ended December 31, 2019. This increase was primarily attributable to increases in engineering resources aimed at enhancing our products.

General and Administrative. General and administrative expense decreased by $6.2 million, or 5%, from $124.2 million for the year ended December 31, 2018 to $118.0 million for the year ended December 31, 2019. Our general and administrative expenses primarily consist of consolidated corporate wide support functions, and the costs of these functions are allocated between our three segments primarily based on relative revenues. The decrease in consolidated general and administrative expense was primarily attributable to the impact of the shareholder litigation reserve of $7.3 million recorded during the year ended December 31, 2018, a $4.2 million insurance reimbursement of legal fees, and lower labor costs. These factors were partially offset by higher stock-based compensation expense of $5.0 million.

General and administrative expense for our web presence segment increased by $0.7 million, or 1%, from $67.1 million for the year ended December 31, 2018 to $67.8 million for the year ended December 31, 2019. General and administrative expense for our email marketing segment decreased by $2.3 million, or 5%, from $41.9 million for the period ended December 31, 2018 to $39.6 million for the year ended December 31, 2019. General and administrative expense for our domain segment decreased by $4.6 million, or 30%, from $15.2 million for the year ended December 31, 2018 to $10.6 million for the year ended December 31, 2019.

Gain on Sale of Business. We recorded a $40.7 million gain on sale of our SinglePlatform business in fiscal year 2019. No such sales were recorded in fiscal 2018.

Impairment of Goodwill. We recorded goodwill impairment charges totaling $12.3 million during the year ended December 31, 2019, which were attributable to two non-strategic reporting units within our web presence segment. The impairments were primarily the result of a continued decline in the cash flows associated with these non-strategic brands. No such impairment charges were incurred in fiscal 2018.

Other Expense, Net

	Year Ended December 31,		Change	
	2018	2019	Amount	%
	(dollars in thousands)			
Other expense, net	$ 148,391	$ 143,454	$ (4,937)	(3)%

Other expense, net decreased by $4.9 million, or 3%, from $148.4 million for the year ended December 31, 2018 to $143.5 million for the year ended December 31, 2019. The decrease consists primarily of lower interest expense relative to 2018, when we incurred $1.5 million in interest expense due to our 2018 term loan refinancing, most of it relating to immediately expensed financing costs. The balance of the decrease was mainly due to lower average debt balances during 2019.

Income Tax (Benefit) Expense

	Year Ended December 31,		Change	
	2018	2019	Amount	%
	(dollars in thousands)			
Income tax (benefit) expense	$ (6,246)	$ 17,879	$ 24,125	(386)%

For the years ended December 31, 2018 and 2019, we recognized an income tax benefit of $6.2 million and an income tax expense of $17.9 million, respectively, in the consolidated statements of operations and comprehensive income (loss).

The income tax benefit for the year ended December 31, 2018 was primarily attributable to a federal and state deferred tax benefit of $9.6 million, a foreign deferred tax benefit of $0.8 million, and a federal and state current income tax benefit of $1.3 million, partially offset by foreign current tax expense of $5.4 million. This aggregate tax benefit of $6.2 million includes $2.2 million of reserves provided for unrecognized tax benefits.

The income tax expense for the year ended December 31, 2019 was primarily attributable to a federal and state deferred tax expense of $10.6 million, a foreign deferred tax expense of $0.1 million, a federal and state current income tax expense of $4.2 million, and foreign current tax expense of $3.0 million. This aggregate tax expense of $17.9 million includes $1.4 million of reserves provided for unrecognized tax benefits.

Comparison of the Years Ended December 31, 2017 and 2018

Revenue

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(dollars in thousands)			
Revenue	$ 1,176,867	$ 1,145,291	$ (31,576)	(3)%

Revenue decreased by $31.6 million, or 3%, from $1,176.9 million for the year ended December 31, 2017 to $1,145.3 million for the year ended December 31, 2018. This decrease is attributable to a $36.7 million decrease in revenue from our web presence segment and a $3.7 million decrease in revenue from our domain segment, partially offset by increased revenue of $8.8 million from our email marketing segment.

Our revenue is generated primarily from our products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing and other similar services. We also generate non-subscription revenue through premium domain sales and domain parking (which we refer to as domain monetization) and marketing development funds. Non-subscription revenue decreased from $39.4 million for the year ended December 31, 2017 to $35.1 million for the year ended December 31, 2018, and represented 3% of total revenue for the year ended December 31, 2017, and 3% of total revenue for the year ended December 31, 2018. The majority of our non-subscription revenue is included in our domain segment.

Our web presence segment revenue decreased by $36.7 million, or 6%, from $642.0 million for the year ended December 31, 2017 to $605.3 million for the year ended December 31, 2018. This decrease was primarily attributable to a decline in revenue from non-strategic brands.

Our email marketing segment revenue increased by $8.8 million, or 2%, from $401.3 million for the year ended December 31, 2017 to $410.1 million for the year ended December 31, 2018. This increase was mostly attributable to price increases, and to a lesser extent, growth in services delivered to existing customers.

Our domain segment revenue decreased by $3.7 million, or 3%, from $133.6 million for the year ended December 31, 2017 to $129.9 million for the year ended December 31, 2018, which was caused in part by a reduction in non-subscription revenues, mainly domain monetization revenue, of $1.9 million, with the balance of the decrease related to declines in subscription based revenues.

Gross Profit

	Year Ended December 31,					
	2017		2018		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
			(dollars in thousands)			
Gross profit	$ 572,937	49%	$ 624,554	55%	$ 51,617	9%

Gross profit increased by $51.6 million, or 9%, from $572.9 million for the year ended December 31, 2017 to $624.6 million for the year ended December 31, 2018. This increase was primarily due to a $33.1 million increase in the gross profit contribution from our email marketing segment, and a $26.5 million increase in the gross profit contribution from our domain segment, partially offset by an $8.0 million decrease in the gross profit contribution from our web presence segment. Our gross profit as a percentage of revenue increased by 6 percentage points from 49% for the year ended December 31, 2017 to 55% for the year ended December 31, 2018, mainly due to the performance of our email marketing segment.

Our web presence segment gross profit decreased by $8.0 million, or 3%, from $305.6 million for the year ended December 31, 2017 to $297.6 million for the year ended December 31, 2018. The decrease was primarily due to the reduction in revenue of $36.7 million discussed above, which was partially offset by lower cost of revenue of $28.7 million, primarily due to lower amortization expense of $13.3 million and lower stock-based compensation expense of $3.3 million, with the balance of the decrease being mostly related to lower support and data center costs as we further consolidated our operations in these areas. Our web presence segment gross profit as a percentage of revenue was 49% for the year ended December 31, 2018 as compared to 48% in the prior year.

Our email marketing segment gross profit increased by $33.1 million, or 13%, from $254.9 million for the year ended December 31, 2017 to $288.0 million for the year ended December 31, 2018. This increase was primarily due to reduced cost of revenue of $24.3 million, primarily due to lower amortization of $21.4 million, and increased revenue of $8.8 million. Our email marketing segment gross profit as a percentage of revenue was 70% for the year ended December 31, 2018 as compared to 64% in the prior year.

Our domain segment gross profit increased by $26.5 million, or 214%, from $12.4 million for the year ended December 31, 2017 to $38.9 million for the year ended December 31, 2018. This increase was primarily due to a $30.2 million reduction in cost of revenue, due mostly to an impairment charge of $18.7 million recorded in fiscal year 2017, which was related primarily to domain monetization intangible assets, and reduced amortization of $2.6 million, with the balance being primarily related to reduced domain registration costs, as we discontinued certain low priced product offerings. Our domain segment gross profit as a percentage of revenue was 30% for the year ended December 31, 2018 as compared to 9% in the prior year.

Operating Expense

	Year Ended December 31,					
	2017		2018		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Sales and marketing	$ 277,460	24%	$ 265,424	23%	$ (12,036)	(4)%
Engineering and development	78,772	7%	87,980	8%	9,208	12 %
General and administrative	163,972	14%	124,204	11%	(39,768)	(24)%
Impairment of goodwill	12,129	1%	—	—%	(12,129)	(100)%
Transaction expenses	773	—%	—	—%	(773)	(100)%
Total	$ 533,106	45%	$ 477,608	42%	$ (55,498)	(10)%

Sales and Marketing. Sales and marketing expense decreased by $12.0 million, or 4%, from $277.5 million for the year ended December 31, 2017 to $265.4 million for the year ended December 31, 2018. Of this decrease, $13.0 million was due to lower marketing expense in our web presence segment, primarily due to decreased marketing investments in non-strategic brands, partially offset by an increase of $1.1 million in our email marketing segment.

Sales and marketing expense for our web presence segment decreased by $13.0 million, or 8%, from $160.7 million for the year ended December 31, 2017 to $147.7 million for the year ended December 31, 2018. This decrease was primarily attributable to reduced expense on non-strategic brands, which was partially offset by increased investments in key hosting brands.

Sales and marketing expense for our email marketing segment increased by $1.1 million, or 1%, from $96.8 million for the year ended December 31, 2017 to $97.8 million for the year ended December 31, 2018. The increase, which is net of a $1.9 million decrease in restructuring charges, is primarily due to investments in brand building activities.

Sales and marketing expense for our domain segment decreased by $0.1 million, or 0%, from $20.0 million for the year ended December 31, 2017 to $19.9 million for the year ended December 31, 2018. This decrease was primarily attributable to lower labor costs of $1.4 million, partially offset by increased marketing program spend of $1.1 million and higher stock-based compensation expense of $0.2 million.

Engineering and Development. Engineering and development expense increased by $9.2 million, or 12%, from $78.8 million for the year ended December 31, 2017 to $88.0 million for the year ended December 31, 2018. Of this increase, $7.9 million and $1.5 million were due to increased engineering and development expense for our email marketing and domain segments, respectively, partially offset by slightly reduced expense for our web presence segment.

Engineering and development expense for our web presence segment decreased by $0.2 million, or 0%, from $39.2 million for the year ended December 31, 2017 to $39.0 million for the year ended December 31, 2018. This decrease was primarily attributable to lower depreciation and stock-based compensation expense of $3.4 million. These cost decreases were almost completely offset by growth in engineering resources aimed at enhancing our products.

Engineering and development expense for our email marketing segment increased by $7.9 million, or 23%, from $33.4 million for the period ended December 31, 2017 to $41.3 million for the year ended December 31, 2018. This increase was primarily attributable to increases in engineering resources aimed at enhancing our products.

Engineering and development expense for our domain segment increased by $1.5 million, or 25%, from $6.1 million for the year ended December 31, 2017 to $7.7 million for the year ended December 31, 2018. This increase was primarily attributable to increases in engineering resources aimed at enhancing our products.

General and Administrative. General and administrative expense decreased by $39.8 million, or 24%, from $164.0 million for the year ended December 31, 2017 to $124.2 million for the year ended December 31, 2018. Our general and administrative expenses primarily consist of consolidated corporate wide support functions, and the costs of these functions are allocated between our three segments primarily based on relative revenues. The decrease in consolidated general and administrative expense was primarily attributable to reductions in stock-based compensation, labor, and restructuring costs of $23.8 million, $12.6 million, and $4.4 million, respectively, and changes in our shareholder litigation reserve charges of $0.7 million.

General and administrative expense for our web presence segment decreased by $31.5 million, or 32%, from $98.6 million for the year ended December 31, 2017 to $67.1 million for the year ended December 31, 2018. General and administrative expense for our email marketing segment decreased by $0.7 million, or 2%, from $42.5 million for the period ended December 31, 2017 to $41.9 million for the year ended December 31, 2018. General and administrative expense for our domain segment decreased by $7.6 million, or 33%, from $22.8 million for the year ended December 31, 2017 to $15.2 million for the year ended December 31, 2018.

Transaction Expenses. Transaction expense decreased by $0.8 million, or 100%, from $0.8 million for the year ended December 31, 2017 to $0.0 million for the year ended December 31, 2018. The year-over-year decrease was primarily attributable to the lack of merger and acquisitions-related activity in 2018.

Impairment of Goodwill. We recorded an impairment of goodwill of $12.1 million during the year ended December 31, 2017, which was entirely attributable to the domain monetization reporting unit within our domain segment. The impairment was the result of a more rapid decline in domain parking revenue than originally anticipated, and to a lesser extent, a decrease in premium domain name sales. No such impairment recurred in fiscal 2018.

Other Expense, Net

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(dollars in thousands)			
Other expense, net	$ 157,006	$ 148,391	$ (8,615)	(5)%

Other expense, net decreased by $8.6 million, or 5%, from $157.0 million for the year ended December 31, 2017 to $148.4 million for the year ended December 31, 2018. The decrease primarily consists of a lower amount of immediately expensed deferred financing costs of $4.3 million and a lower loss on extinguishment of debt of $0.7 million for our 2018 term loan refinancing when compared to our 2017 term loan refinancing, with the balance of the decrease mainly due to lower average debt balances.

Income Tax Benefit

	Year Ended December 31,		Change	
	2017	2018	Amount	%
	(dollars in thousands)			
Income tax benefit	$ (17,281)	$ (6,246)	$ (11,035)	(64)%

For the years ended December 31, 2017 and 2018, we recognized an income tax benefit of $17.3 million and $6.2 million, respectively, in the consolidated statements of operations and comprehensive income (loss).

The income tax benefit for the year ended December 31, 2017 was primarily attributable to $21.8 million in federal and state deferred tax benefit (which includes a $16.9 million tax benefit pertaining to the federal tax rate change as a result of the Tax Cut and Jobs Act of 2017 and the identification and recognition of $1.2 million of U.S. federal and state tax credits) and a foreign deferred tax benefit of $1.0 million, offset by a provision for federal and state current income taxes of $2.9 million, and foreign current tax expense of $2.6 million. This aggregate tax benefit of $17.3 million is inclusive of $1.1 million of reserves provided for unrecognized tax benefits.

The income tax benefit for the year ended December 31, 2018 was primarily attributable to $9.6 million of a federal and state deferred tax benefit, a foreign deferred tax benefit of $0.8 million, and a federal and state current income tax benefit of $1.3 million, partially offset by foreign current tax expense of $5.4 million. This aggregate tax benefit of $6.2 million is inclusive of $2.2 million of reserves provided for unrecognized tax benefits.

Liquidity and Capital Resources

Sources of Liquidity

We have funded our operations since inception primarily with cash flow generated by operations, borrowings under our credit facilities and public offerings of our securities.

In November 2013, we entered into a $1,050.0 million first lien term loan facility and a $125.0 million revolving credit facility. On February 9, 2016, in connection with our acquisition of Constant Contact and the related financing of that transaction, we entered into a $735.0 million incremental first lien term loan facility and a new $165.0 million revolving credit facility, which replaced our previous revolving credit facility and which we refer to as the "Revolver," and our wholly owned subsidiary, EIG Investors, issued $350.0 million aggregate principal amount of 10.875% senior notes due 2024, or the "Senior Notes." On June 14, 2017, we refinanced our then-outstanding term loans and replaced them with a new $1,697.3 million first lien term loan facility, which we refer to as the “2017 Term Loan.” On June 20, 2018, we repriced the 2017 Term Loan and replaced it with a new $1,580.3 million first lien term loan facility, which we refer to as the "Term Loan," and we also extended the maturity of $106.2 million of the Revolver. We refer to the Term Loan (or prior to June 20, 2018, the 2017 Term Loan) and the Revolver together as the "Senior Credit Facilities."

2018 First Lien Term Loan Facility. The Term Loan was issued at par with an original balance of $1,580.3 million and has a maturity date of February 9, 2023. The Term Loan automatically bears interest at an alternate base rate unless we give notice to opt for the LIBOR-based interest rate. The LIBOR-based interest rate for the Term Loan is 3.75% per annum plus the greater of an adjusted LIBOR and 1.00%. The alternate base rate for the Term Loan is 2.75% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%. The Term Loan requires quarterly mandatory repayments of principal. For the year ended December 31, 2019, we made four mandatory repayments of $7.9 million each, three voluntary prepayments of $17.1 million each, and one mandatory prepayment of $48.1 million (triggered by the sale of our SinglePlatform business), for a total repayment of $131.0 million.

2017 First Lien Term Loan Facility. The 2017 Term Loan was issued at a price of 99.75% of par and had a maturity date of February 9, 2023. The 2017 Term Loan automatically bore interest at an alternate base rate unless we gave notice to opt for the LIBOR-based interest rate. The LIBOR-based interest rate for the 2017 Term Loan was 4.00% per annum plus the greater of an adjusted LIBOR and 1.00%. The alternate base rate for the 2017 Term Loan was 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%. The 2017 Term Loan required quarterly mandatory repayments of principal. During the year ended December 31, 2018, we made one mandatory repayment of $8.5 million and one voluntary prepayment of $17.0 million prior to the refinancing of the 2017 Term Loan.

Revolving Credit Facility. The Revolver has an aggregate available amount of $165.0 million and consists of a non-extended tranche of approximately $58.8 million and an extended tranche of approximately $106.2 million. The non-extended tranche has a maturity date of February 9, 2021. The extended tranche has a maturity date of June 20, 2023, with a "springing" maturity date of November 10, 2022 if the Term Loan has not been repaid in full or otherwise extended to September 19, 2023 or later prior to November 10, 2022. We have the ability to draw down against the Revolver using a LIBOR-based interest rate or an alternate base rate. The LIBOR-based interest rate for a non-extended revolving loan is 4.00% per annum (subject to a leverage-based step-down) and for an extended revolving loan is 3.25% per annum (subject to a leverage-based step-down), in each case plus an adjusted LIBOR for a selected interest period. The alternate base rate for a non-extended revolving loan is 3.00% per annum (subject to a leverage-based step-down) and for an extended revolving loan is 2.25% per annum (subject to a leverage-based step-down), in each case plus the greatest of the prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR for a one-month interest period plus 1.00%. We are also required to pay a commitment fee of 0.50% per annum (subject to a leverage-based step-down) to the lenders based on the average daily unused principal amount of the Revolver.

Senior Notes. The Senior Notes were issued at a price of 98.065% of par and have a maturity date of February 1, 2024. The Senior Notes bear interest at the rate of 10.875% per annum. We have the right to redeem all or part of the Senior Notes at any time for a premium which is based on the applicable redemption date. On January 30, 2017, we completed a registered exchange offer for the Senior Notes, as required under the registration rights agreement we entered into with the initial purchasers of the Senior Notes. All of the $350.0 million aggregate principal amount of the Senior Notes was validly tendered for exchange as part of this exchange offer. The registration rights agreement also obligated us to use reasonable efforts to cause to become effective a registration statement providing for the registration of certain secondary transactions in the Senior Notes by Goldman, Sachs & Co. and its affiliates. The Senior Notes have been fully and unconditionally guaranteed, on a senior unsecured basis, by us and our subsidiaries that guarantee the Senior Credit Facilities.

As of December 31, 2019, we had cash and cash equivalents totaling $111.3 million and negative working capital of $278.1 million, which included the $31.6 million current portion of the Term Loan. There was no balance outstanding on the Revolver as of December 31, 2019. In addition, we had approximately $1,675.6 million of long term indebtedness, including deferred financing costs, outstanding under the Term Loan and the Senior Notes. We also had $469.1 million of short-term and long-term deferred revenue, which is not expected to be payable in cash.

LIBOR Phase-Out

The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out LIBOR by the end of 2021. We are evaluating the impact of the expected discontinuation of LIBOR on our Term Loan, Revolver, outstanding interest rate cap, and other contracts. Refer to Part I, Item 1A, *Risk Factors* for further discussion of the LIBOR phrase-out.

Debt Covenants

Senior Credit Facilities

The Senior Credit Facilities require that we comply with a financial covenant to maintain a maximum ratio of consolidated net senior secured indebtedness to Bank Adjusted EBITDA (as defined below), which is different than our reported non-GAAP adjusted EBITDA.

The Senior Credit Facilities contain covenants that limit our ability to, among other things, incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of capital stock; make other restricted payments; make certain investments; sell or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into certain transactions with affiliates. Additionally, the Senior Credit Facilities require us to comply with certain negative covenants and specify certain events of default that could result in amounts becoming payable, in whole or in part, prior to their maturity dates. We were in compliance with all covenants at December 31, 2019.

With the exception of certain equity interests and other excluded assets under the terms of the Senior Credit Facilities, substantially all of our assets are pledged as collateral for the obligations under the Senior Credit Facilities.

Senior Notes

The indenture governing the Senior Notes contains covenants that limit our ability to, among other things, incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of capital stock; make other restricted payments; make certain investments; sell or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into certain transactions with affiliates. Upon a change of control as defined in the indenture, we or EIG Investors must offer to repurchase the Senior Notes at 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, up to, but not including, the repurchase date. These covenants are subject to a number of important limitations and exceptions.

The indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Senior Notes to be due and payable immediately.

We were in compliance with all covenants under the Senior Credit Facilities and the Senior Notes at December 31, 2019.

Secured Net Leverage Ratio

The Senior Credit Facilities require that we comply with a financial covenant not to exceed a maximum ratio of consolidated senior secured net indebtedness on the date of determination to an adjusted consolidated EBITDA measure, which we refer to as "Bank Adjusted EBITDA," for the most recently completed four quarters (which we refer to as trailing twelve months, or "TTM"). This net leverage ratio is tested as of the last day of each fiscal quarter and was required to be at or below 6.50 to 1.00 through December 31, 2016 and at or below 6.25 to 1.00 from March 31, 2017 through December 31, 2017, and may not exceed 6.00 to 1.00 from March 31, 2018 and thereafter. As of December 31, 2019, we were in compliance with this covenant.

The credit agreement governing the Senior Credit Facilities defines consolidated senior secured net indebtedness as our and our restricted subsidiaries' aggregate amount of indebtedness that is secured by a lien not expressly subordinated to the liens securing the Senior Credit Facilities. Consolidated senior secured net indebtedness is determined on a consolidated basis in accordance with GAAP and consists only of indebtedness for borrowed money, unreimbursed obligations under letters of credit, obligations with respect to financed equipment obligations and debt obligations evidenced by promissory notes and similar instruments, minus the aggregate amount of cash and permitted investments, excluding cash and permitted investments that are restricted.

The credit agreement defines Bank Adjusted EBITDA as net income (loss) adjusted to exclude, among other things, interest expense, income tax expense (benefit), depreciation and amortization. Bank Adjusted EBITDA also adjusts net income (loss) by excluding certain non-cash foreign exchange gains (losses), certain gains (losses) from sale of assets, stock-based compensation, unusual and non-recurring expenses (including acquisition related costs, gains or losses on early extinguishment of debt, and loss on impairment of tangible or intangible assets). It also adjusts net income (loss) for revenue on a billed basis, changes in deferred domain costs, share of loss (profit) of unconsolidated entities, and certain integration related costs. Finally, it adjusts net income (loss) to give pro forma effect to acquisitions, debt incurrences, repayments of debt, other specified transactions and certain cost savings on a TTM basis.

We use Bank Adjusted EBITDA to monitor our secured net leverage ratio and our ability to undertake key investing and financing functions such as making investments and incurring additional indebtedness, which may be prohibited by the covenants under our credit agreement unless we comply with certain financial ratios and tests.

Bank Adjusted EBITDA is a supplemental measure of our liquidity and is not presented in accordance with GAAP. Bank Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered an alternative to revenue, net income (loss), cash flow, or any other performance measure derived in accordance with GAAP. Our presentation of Bank Adjusted EBITDA may not be comparable with similarly titled measures of other companies.

As of December 31, 2019, our secured net leverage ratio on a TTM basis was 4.04 to 1.00 and was calculated as follows:

	For the three months ended,				
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	TTM
	(in thousands except ratios)				
Net (loss) income	$ (3,488)	$ (26,228)	$ 7,816	$ 9,553	$ (12,347)
Interest expense	37,214	37,037	36,057	34,368	144,676
Income tax expense (benefit)	1,719	6,160	(4,839)	14,839	17,879
Depreciation	11,206	10,899	11,280	11,566	44,951
Amortization of other intangible assets	21,120	21,349	21,668	21,046	85,183
Stock-based compensation	9,016	9,354	9,143	8,179	35,692
Integration and restructuring costs	2,015	183	(193)	(13)	1,992
Transaction expenses and charges	—	—	—	—	—
(Gain) loss of unconsolidated entities	—	—	—	—	—
Impairment of long-lived assets and goodwill	—	17,892	—	19,648	37,540
(Gain) loss on assets, not ordinary course	—	—	—	(40,700)	(40,700)
Legal advisory expenses	400	465	849	(3,962)	(2,248)
Billed revenue to GAAP revenue adjustment	10,385	(3,143)	578	(4,065)	3,755
Domain registration cost cash to GAAP adjustment	(2,441)	1,421	465	1,163	608
Currency translation	29	63	75	18	185
Adjustment for acquisitions on a proforma basis	(54)	(54)	(43)	—	(151)
Adjustment for dispositions on a proforma basis	(1,591)	(1,058)	(1,053)	(326)	(4,028)
Bank Adjusted EBITDA	$ 85,530	$ 74,340	$ 81,803	$ 71,314	$ 312,987
Current portion of notes payable					$ 31,606
Current portion of financed equipment					790
Notes payable - long term					1,649,867
Financed equipment - long term					—
Original issue discounts and deferred financing costs					42,549
Less:					
Unsecured notes					(350,000)
Cash					(111,265)
Certain permitted restricted cash					—
Net senior secured indebtedness					$ 1,263,547
Net leverage ratio					4.04
Maximum net leverage ratio					6.00

Cash and Cash Equivalents

As of December 31, 2019, our cash and cash equivalents were primarily held for working capital purposes and for required principal and interest payments under our indebtedness. A majority of our cash and cash equivalents was held in operating accounts. Our cash and cash equivalents increased by $22.6 million from $88.6 million at December 31, 2018 to $111.3 million at December 31, 2019. Of the $111.3 million cash and cash equivalents we had at December 31, 2019, $28.9 million was held in foreign countries, and due to tax reasons, we do not plan to repatriate this cash in the near future. We used cash on hand at December 31, 2018 and cash flows from operations to purchase property and equipment and to make our debt payments on our Term Loan, as described under "Financing Activities" below. Our future capital requirements will depend on many factors including, but not limited to our growth rate, our level of sales and marketing activities, the development and introduction of new and enhanced products and services, market acceptance of our solutions, potential settlements of legal proceedings, acquisitions, and our gross profits and operating expenses. We believe that our current cash and cash equivalents and operating cash flows will be sufficient to meet our anticipated working capital and capital expenditure requirements, as well as our required principal and interest payments under our indebtedness, for at least the next 12 months.

The following table shows our purchases of property and equipment, principal payments on financed equipment obligations, depreciation, amortization, and cash flows from operating activities, investing activities and financing activities for the periods presented:

	For the year ended December 31,		
	2017	2018	2019
	(in thousands)		
Purchases of property and equipment	$ (43,062)	$ (45,880)	$ (39,126)
Principal payments on financed equipment	(7,390)	(7,439)	(8,189)
Depreciation	55,185	48,207	44,951
Amortization	152,162	114,280	97,015
Cash flows provided by operating activities	201,273	182,552	161,973
Cash flows (used in) provided by investing activities	(44,498)	(45,882)	3,000
Cash flows used in financing activities	(146,705)	(113,421)	(141,638)

Capital Expenditures

Our capital expenditures on the purchase of property and equipment for the years ended December 31, 2018 and 2019 were $45.9 million and $39.1 million, respectively. The higher property and equipment expenditures in the year ended December 31, 2018 consisted primarily of an investment in data center and customer infrastructure, including internally developed software. In addition, during the years ended December 31, 2018 and 2019, we made principal payments of $7.4 million and $8.2 million, respectively, under an agreement for equipment financing. The remaining balance payable on the equipment financing was $0.8 million as of December 31, 2019.

Depreciation

Our depreciation expense for the years ended December 31, 2018 and 2019 decreased by $3.3 million from $48.2 million to $45.0 million, respectively. This decrease was primarily due to a reduction in depreciation for our email marketing segment as certain assets became fully depreciated.

Amortization

Our amortization expense, which includes amortization of other intangible assets, amortization of deferred financing costs and amortization of net present value of deferred consideration, decreased by $17.3 million from $114.3 million for the year ended December 31, 2018 to $97.0 million for the year ended December 31, 2019. Of this decrease in amortization expense, $18.0 million related to lower amortization expense of intangible assets relating to businesses and assets acquired. This decrease was partially offset by an increase of $0.7 million relating to increased amortization of deferred financing costs and an increase of $0.2 million relating to amortization of original issue discounts related to our Senior Credit Facilities.

Operating Activities

Cash provided by operating activities consists primarily of net income (loss) adjusted for certain non-cash items including depreciation, amortization, stock-based compensation expense, impairment charges, if any, (gains) losses on sale of business or sale of assets, and changes in deferred taxes, and the effect of changes in working capital, in particular in deferred revenue. As we add subscribers to our platform, we typically collect subscription fees at the time of initial billing and recognize revenue over the terms of the subscriptions. Accordingly, we generate operating cash flows as we collect cash from our subscribers in advance of delivering the related products and services, and we maintain a significant deferred revenue balance.

Net cash provided by operating activities was $162.0 million for the year ended December 31, 2019 compared with $182.6 million for the year ended December 31, 2018. Net cash provided by operating activities for the year ended December 31, 2019 consisted of net loss of $12.3 million, offset by non-cash charges of $185.3 million, which includes $40.7 million of gain on disposition of our SinglePlatform business, and an unfavorable net change of $11.0 million in our operating assets and liabilities. The $11.0 million of cash outlays for operating assets and liabilities was primarily due to lower subscriber billings resulting from subscriber attrition in our non-strategic brands, the timing of payments to suppliers, and higher income tax payments, partially offset by lower payments for restructuring programs and interest payments. We expect cash provided by operations in fiscal year 2020 to be substantially consistent with, or slightly lower, than the levels achieved in fiscal year 2019.

Net cash provided by operating activities was $182.6 million for the year ended December 31, 2018, compared with $201.3 million for the year ended December 31, 2017. Net cash provided by operating activities for the year ended December 31, 2018 consisted of profit of $4.5 million, offset by non-cash charges of $183.1 million and an unfavorable net change of $5.1 million in our operating assets and liabilities. The $5.1 million of cash outlays for operating assets and liabilities was primarily due to lower subscriber billings resulting from subscriber attrition, which adversely impacted deferred revenue. In addition, we paid $8.0 million to settle SEC investigations initiated in 2015 against us and Constant Contact and $5.7 million to purchase an interest rate cap. These uses of cash were partially offset by lower payments for interest expense and lower payments for restructuring programs.

Net cash provided by operating activities was $201.3 million for the year ended December 31, 2017, and consisted of a net loss of $99.8 million, offset by non-cash charges of $282.1 million and a net change of $18.9 million in our operating assets and liabilities.

Investing Activities

Cash flows used in investing activities consist primarily of purchases of property and equipment, acquisition consideration payments, proceeds from the sale of business and sale of assets, and changes in restricted cash balances.

During the year ended December 31, 2019, cash flows provided by investing activities was $3.0 million, which was primarily due to the proceeds of $51.0 million from the disposition of our SinglePlatform business, partially offset by $39.1 million used to purchase property and equipment and $8.9 million used to acquire Ecomdash.

During the year ended December 31, 2018, cash flows used in investing activities was $45.9 million, which was used to purchase property and equipment.

During the year ended December 31, 2017, cash flows used in investing activities was $44.5 million. We used $43.1 million of cash to purchase property and equipment and $2.0 million of cash to acquire intangible assets, net of proceeds of $0.5 million from asset disposals.

Financing Activities

Cash flow from financing activities consists primarily of the net change in our overall indebtedness, payment of associated financing costs, payment of deferred consideration for our acquisitions and the issuance or repurchase of equity.

During the year ended December 31, 2019, cash flows used in financing activities was $141.6 million. We paid $131.0 million of principal payments related to our Term Loan, which included quarterly mandatory repayments of $31.6 million, voluntary repayments of $51.3 million, and a $48.1 million mandatory prepayment triggered by the disposition of our SinglePlatform business. We also made $8.2 million of principal payments related to financed equipment obligations and $2.5 million in deferred consideration payments relating to AppMachine. These payments were partially offset by an immaterial amount of proceeds that we received from the exercise of stock options. For fiscal year 2020, we plan to continue to use our cash flow from operations to reduce our outstanding debt obligations, including both voluntary and mandatory repayments, by an aggregate amount of $100.0 million.

During the year ended December 31, 2018, cash flows used in financing activities was $113.4 million. We paid $100.8 million of principal payments related to our 2017 Term Loan and Term Loan, which included mandatory repayments of $32.2 million and voluntary repayments of $68.6 million. We also made $7.4 million of principal payments related to financed equipment obligations and $4.5 million in deferred consideration payments relating to our AppMachine acquisition. In addition, we paid $1.6 million for deferred financing costs relating to the June 2018 refinancing of the 2017 Term Loan. These payments were partially offset by $0.9 million of proceeds that we received from the exercise of stock options.

During the year ended December 31, 2017, cash flows used in financing activities was $146.7 million. We made repayments on our term loans of $1,797.6 million (including the refinancing of our 2017 Term Loan, which provided new term debt proceeds of $1,693.0 million), for a net cash debt payment of $100.4 million during fiscal year 2017. In addition, we incurred $6.3 million of costs related to the 2017 Term Loan refinancing, made financed equipment payments of $7.4 million, paid $5.4 million of deferred consideration (primarily related to the AppMachine acquisition), and made the final payment of non-controlling interest obligations of $25.0 million to acquire all equity interests in WZ UK. These cash outlays were partially offset by $2.0 million in proceeds from the exercise of stock options.

Free Cash Flow

Free cash flow, or FCF, is a non-GAAP financial measure that we calculate as GAAP cash flow from operations less capital expenditures and financed equipment obligations. We believe that FCF provides investors with an indicator of our ability to generate positive cash flows after meeting our obligations with regard to capital expenditures (including financed equipment). The following table reflects the reconciliation of cash flow from operations to free cash flow:

		For the year ended December 31,	
	2017	2018	2019
		(in thousands)	
Cash flow from operations	$ 201,273	$ 182,552	$ 161,973
Less:			
Capital expenditures and financed equipment[(1)]	(50,452)	(53,319)	(47,315)
Free cash flow	$ 150,821	$ 129,233	$ 114,658

(1) Capital expenditures during the years ended December 31, 2017, 2018 and 2019 includes $7.4 million, $7.4 million and $8.2 million, respectively, of principal payments under a three year agreement for equipment financing. The remaining balance on the equipment financing is $0.8 million as of December 31, 2019.

Free cash flow decreased from $129.2 million for the year ended December 31, 2018 to $114.7 million for the year ended December 31, 2019. This decrease of $14.6 million was primarily driven by the same factors that led to the change in net cash provided by operating activities from 2018 to 2019, as discussed above. We expect free cash flow in fiscal year 2020 to be slightly lower than the levels achieved in fiscal year 2019.

Free cash flow decreased from $150.8 million for the year ended December 31, 2017 to $129.2 million for the year ended December 31, 2018. This decrease of $21.6 million was primarily driven by the same factors that led to the change in net cash provided by operating activities from 2017 to 2018, as discussed above.

Net Operating Loss (NOL) Carry-Forwards

As of December 31, 2019, we had NOL carry-forwards available to offset future U.S. federal taxable income of approximately $26.9 million and future state taxable income of approximately $78.0 million. These NOL carry-forwards expire on various dates through 2039. Under the Tax Cuts and Jobs Act of 2017, or the Tax Act, NOL carry-forwards arising in taxable years beginning after December 31, 2017 may be carried forward indefinitely, but the use of such NOLs is limited to 80% of our taxable income in any future taxable year. It is uncertain how various states will respond to the Tax Act. As of December 31, 2019, we had NOL carry-forwards in foreign jurisdictions available to offset future foreign taxable income by approximately $18.7 million, of which $12.4 million related to the Netherlands, $4.4 million related to Brazil, $0.4 million related to Singapore, and the remaining $1.5 million related to various other foreign jurisdictions. These foreign NOL carry-forwards begin to expire starting in 2021, excluding the carry-forwards for Brazil and Singapore, which can be carried forward indefinitely.

Utilization of the NOL carry-forwards may be subject to an annual limitation due to the ownership percentage change limitations under Section 382 of the Internal Revenue Code (“Section 382 limitation”). Ownership changes can limit the amount of net operating loss and other tax attributes that a company can use each year to offset future taxable income and taxes payable. Although we have experienced a number of ownership changes over time, we do not currently have any Section 382 limitations restricting our ability to utilize NOL carry-forwards.

Backlog and Deferred Revenue

We define our backlog as the total committed value of our contracts which have not been recognized as revenue at the end of a period. Since we require prepayments for all our products and services, our backlog is equal to our deferred revenue balance. Our backlog as of December 31, 2018 and 2019 was $467.9 million and $469.1 million, respectively. Because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of a period, as well as contract renewals and new customer contracts during the period, backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may differ from other companies in our industry.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under our outstanding debt facilities, which in 2019 included quarterly mandatory repayments of $7.9 million against the Term Loan, interest payments on the Term Loan, which are typically three-month LIBOR loans, and interest payments on the Senior Notes; non-cancelable leases for our office space; deferred payment obligations related to acquisitions; and purchase obligations under significant contracts. The following table summarizes these contractual obligations as of December 31, 2019:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Long-term debt obligations:					
Principal payments on term loan facilities and notes	$ 1,724,022	$ 31,606	$ 63,212	$ 1,629,204	$ —
Interest payments and other debt facility related fees(1)	475,597	117,333	218,154	140,110	—
Financed equipment	828	828	—	—	—
Operating lease obligations	118,889	27,098	39,610	31,488	20,693
Deferred consideration(2)	2,201	2,201	—	—	—
Purchase commitments(3)	38,358	23,040	10,607	4,711	—
Total	$ 2,359,895	$ 202,106	$ 331,583	$ 1,805,513	$ 20,693

(1) Term Loan facility interest rate is based on adjusted LIBOR plus 375 basis points for the Term Loan, subject to a LIBOR floor of 1.00%. As of December 31, 2019, the interest rates on the Term Loan and the Senior Notes were 5.67% and 10.875%, respectively. The Term Loan and the Senior Notes mature on February 9, 2023, and February 1, 2024, respectively. Our revolving credit facility, which has no balance outstanding as of December 31, 2019, has maturity dates of February 9, 2021 and June 20, 2023 for the non-extended tranche and extended tranche, respectively, and bears a non-refundable commitment fee, equal to 0.50% per annum (subject to a leverage-based step-down) of the daily unused principal amount. See *Liquidity and Capital Resources* above for more information.

(2) Consists of deferred payment obligations related to acquisitions.

(3) Consists of commitments related to contracts made in the ordinary course of business, primarily for marketing, human resources, and insurance.

Off-Balance Sheet Arrangements

We do not have any special purpose entities or off-balance sheet arrangements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of our business. These risks include primarily foreign exchange risk, interest rate and inflation.

Foreign Currency Exchange Risk

A significant majority of our subscription agreements and our expenses are denominated in U.S. dollars. We do, however, have sales in a number of foreign currencies as well as business operations in Brazil and India and are subject to the impacts of currency fluctuations in those markets. The impact of these currency fluctuations is insignificant relative to the overall financial results of our company.

Interest Rate Sensitivity

We had cash and cash equivalents of $111.3 million at December 31, 2019, the majority of which was held in operating accounts for working capital purposes and other general corporate purposes which includes payment of principal and interest under our indebtedness. As of December 31, 2019, we had approximately $1,374.0 million of indebtedness outstanding under our Term Loan, $350.0 million outstanding under the Notes and $0.0 million outstanding under the Revolver.

The Term Loan automatically bears interest at the bank’s reference rate unless we give notice to opt for LIBOR based interest rate term loans. The interest rate for a LIBOR based interest term loan is 3.75% plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan was 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, or 2.00%.

We have the ability to draw down against the Revolver using a LIBOR-based interest rate or an alternate base rate. The LIBOR-based interest rate for a non-extended revolving loan is 4.00% per annum (subject to a leverage-based step-down)and for an extended revolving loan is 3.25% per annum (subject to a leverage-based step-down), in each case plus an adjusted LIBOR for a selected interest period. The alternate base rate for a non-extended revolving loan is 3.00% per annum (subject to a leverage-based step-down) and for an extended revolving loan is 2.25% per annum (subject to a leverage-based step-down), in each case plus the greatest of the prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR for a one-month interest period plus 1.00%. We are also required to pay a commitment fee of 0.50% per annum (subject to a leverage-based step-down) to the lenders based on the average daily unused principal amount of the Revolver.

Based on our aggregate indebtedness outstanding under Term Loan of $1,374.0 million as of December 31, 2019, a 100 basis point increase in the adjusted LIBOR above the LIBOR floor would result in a $13.8 million increase in our aggregate interest payments over a 12-month period, and a 100 basis point decrease at the current LIBOR rate would result in a $13.8 million decrease in our interest payments.

We have entered into two interest rate caps as part of our risk management strategy. The three-year interest rate cap we entered into in December 2015 limited our exposure beginning on February 29, 2016 to LIBOR interest rate increases over 2.0% on $500.0 million of our Term Loan. The December 2015 interest rate cap matured in February 2019. The three-year interest rate cap we entered into in June 2018 limits our exposure beginning on August 28, 2018 to LIBOR interest rate increases over 3.0% on $800.0 million of our Term Loan. The LIBOR interest rate applicable to our Term Loan as of December 31, 2019 was approximately 1.92%.

Inflation Risk

We do not believe that inflation has a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability to do so could harm our business, financial condition and results of operations.

ITEM 8. Financial Statements and Supplementary Data

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Endurance International Group Holdings, Inc.
Burlington, Massachusetts

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Endurance International Group Holdings, Inc. (the “Company”) as of December 31, 2018 and 2019, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as "the consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 14, 2020 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, on January 1, 2019, the Company changed its method of accounting for leases due to the adoption of ASU 2016-02, *Leases* (ASC 842).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2008.

Boston, Massachusetts

February 14, 2020

Endurance International Group Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	December 31, 2018	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 88,644	$ 111,265
Restricted cash	1,932	1,732
Accounts receivable	12,205	10,224
Prepaid domain name registry fees	56,779	55,237
Prepaid commissions	41,458	38,435
Prepaid and refundable taxes	7,235	6,810
Prepaid expenses and other current assets	27,855	23,883
Total current assets	236,108	247,586
Property and equipment—net	92,275	85,925
Operating lease right-of-use assets	—	90,519
Goodwill	1,849,065	1,835,310
Other intangible assets—net	352,516	245,002
Deferred financing costs	2,656	1,778
Investments	15,000	15,000
Prepaid domain name registry fees, net of current portion	11,207	11,107
Prepaid commissions, net of current portion	42,472	48,780
Deferred tax asset	—	64
Other assets	5,208	3,015
Total assets	$ 2,606,507	$ 2,584,086
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,449	$ 10,054
Accrued expenses	79,279	64,560
Accrued taxes	2,498	251
Accrued interest	25,259	23,434
Deferred revenue	371,758	369,475
Operating lease liabilities—short term	—	21,193
Current portion of notes payable	31,606	31,606
Current portion of financed equipment	8,379	790
Deferred consideration—short term	2,425	2,201
Other current liabilities	3,147	2,165
Total current liabilities	536,800	525,729
Long-term deferred revenue	96,140	99,652
Operating lease liabilities—long term	—	78,151
Notes payable—long term, net of original issue discounts of $21,349 and $16,859, and deferred financing costs of $31,992 and $25,690, respectively	1,770,055	1,649,867
Deferred tax liability—long term	16,457	27,097
Deferred consideration—long term	1,364	—
Other liabilities	11,237	6,636
Total liabilities	2,432,053	2,387,132
Commitments and Contingencies (Note 18)		
Stockholders' equity:		
Preferred Stock—par value $0.0001; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Common Stock—par value $0.0001; 500,000,000 shares authorized; 143,444,515 and 146,259,868 shares issued at December 31, 2018 and December 31, 2019, respectively; 143,444,178 and 146,259,868 outstanding at December 31, 2018 and December 31, 2019, respectively	14	15
Additional paid-in capital	961,235	996,958
Accumulated other comprehensive loss	(3,211)	(4,088)
Accumulated deficit	(783,584)	(795,931)
Total stockholders' equity	174,454	196,954
Total liabilities and stockholders' equity	$ 2,606,507	$ 2,584,086

See accompanying notes to consolidated financial statements.

Form 10-K

Endurance International Group Holdings, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except share and per share amounts)

	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019
Revenue	$ 1,176,867	$ 1,145,291	$ 1,113,278
Cost of revenue (including impairment of $18,731 for the year ended December 21, 2017 and $25,207 for the year ended December 31, 2019)	603,930	520,737	510,296
Gross profit	572,937	624,554	602,982
Operating expense:			
Sales and marketing	277,460	265,424	258,019
Engineering and development	78,772	87,980	106,377
General and administrative	163,972	124,204	117,967
Gain on sale of business	—	—	(40,700)
Transaction costs	773	—	—
Impairment of goodwill	12,129	—	12,333
Total operating expense	533,106	477,608	453,996
Income from operations	39,831	146,946	148,986
Other income (expense):			
Other expense, net	(600)	—	—
Interest income	736	1,089	1,222
Interest expense	(157,142)	(149,480)	(144,676)
Total other expense—net	(157,006)	(148,391)	(143,454)
(Loss) income before income taxes and equity earnings of unconsolidated entities	(117,175)	(1,445)	5,532
Income tax (benefit) expense	(17,281)	(6,246)	17,879
(Loss) income before equity earnings of unconsolidated entities	(99,894)	4,801	(12,347)
Equity (income) loss of unconsolidated entities, net of tax	(110)	267	—
Net (loss) income	$ (99,784)	$ 4,534	$ (12,347)
Net loss attributable to non-controlling interest	277	—	—
Excess accretion of non-controlling interest	7,247	—	—
Total net loss attributable to non-controlling interest	7,524	—	—
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (107,308)	$ 4,534	$ (12,347)
Comprehensive (loss) income:			
Foreign currency translation adjustments	3,091	(2,233)	(598)
Unrealized gain (loss) on cash flow hedge, net of taxes of $11, ($137) and $102 for the years ended December 31, 2017, 2018 and 2019	34	(437)	(279)
Total comprehensive (loss) income	$ (104,183)	$ 1,864	$ (13,224)
Net (loss) income per share attributable to Endurance International Group Holdings, Inc. - basic earnings per share	$ (0.78)	$ 0.03	$ (0.09)
Net (loss) income per share attributable to Endurance International Group Holdings, Inc. - diluted earnings per share	$ (0.78)	$ 0.03	$ (0.09)
Weighted-average number of common shares used in computing net (loss) income per share attributable to Endurance International Group Holdings, Inc.			
Basic	137,322,201	142,316,993	145,259,691
Diluted	137,322,201	145,669,760	145,259,691

See accompanying notes to consolidated financial statements.

Endurance International Group Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Number	Amount				
Balance—December 31, 2016	134,793,857	$ 14	$ 868,228	$ (3,666)	$ (740,193)	$ 124,383
Vesting of restricted shares	5,040,609	—	—	—	—	—
Exercise of stock options	356,229	—	2,049	—	—	2,049
Other comprehensive income	—	—	—	3,125	—	3,125
Net income attributable to non-controlling interest	—	—	277	—	—	277
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(107,308)	(107,308)
Stock-based compensation	—	—	60,479	—	—	60,479
Balance—December 31, 2017	140,190,695	14	931,033	(541)	(847,501)	83,005
Vesting of restricted shares	3,122,079	—	—	—	—	—
Exercise of stock options	131,404	—	887	—	—	887
Other comprehensive loss	—	—	—	(2,670)	—	(2,670)
Adjustment to beginning retained earnings resulting from adoption of ASC 606, net of tax impact of $7.0 million	—	—	—	—	59,383	59,383
Net income attributable to Endurance International Group Holdings, Inc.	—	—	—	—	4,534	4,534
Stock-based compensation	—	—	29,315	—	—	29,315
Balance—December 31, 2018	143,444,178	14	961,235	(3,211)	(783,584)	174,454
Vesting of restricted shares	2,808,897	1	—	—	—	1
Exercise of stock options	6,793	—	31	—	—	31
Other comprehensive loss	—	—	—	(877)	—	(877)
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(12,347)	(12,347)
Stock-based compensation	—	—	35,692	—	—	35,692
Balance—December 31, 2019	146,259,868	$ 15	$ 996,958	$ (4,088)	$ (795,931)	$ 196,954

See accompanying notes to consolidated financial statements.

Form 10-K

Endurance International Group Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019
Cash flows from operating activities:			
Net (loss) income	$ (99,784)	$ 4,534	$ (12,347)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation of property and equipment	55,185	48,207	44,951
Amortization of other intangible assets from acquisitions	140,354	103,148	85,183
Amortization of deferred financing costs	7,316	6,454	7,179
Amortization of net present value of deferred consideration	632	373	163
Amortization of original issuance discount	3,860	4,305	4,490
Impairment of long-lived assets	18,731	—	25,207
Impairment of investments	600	—	—
Impairment of goodwill	12,129	—	12,333
Stock-based compensation	60,001	29,064	35,692
Deferred tax (benefit) expense	(22,807)	(10,438)	10,669
Gain on sale of business	—	—	(40,700)
(Gain) loss on sale of assets	(315)	198	163
Gain from unconsolidated entities	(110)	—	—
Loss of unconsolidated entities	—	267	—
Financing costs expensed	5,487	1,228	—
Loss on early extinguishment of debt	992	331	—
Dividend from minority interest	100	—	—
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	(3,102)	3,616	1,985
Prepaid and refundable taxes	(732)	(2,896)	495
Prepaid expenses and other current assets	6,150	(4,564)	3,857
Leases right-of-use asset, net	—	—	656
Accounts payable and accrued expenses	8,351	5,040	(21,565)
Deferred revenue	8,235	(6,315)	3,562
Net cash provided by operating activities	201,273	182,552	161,973
Cash flows from investing activities:			
Businesses acquired in purchase transaction, net of cash acquired	—	—	(8,875)
Purchases of property and equipment	(43,062)	(45,880)	(39,126)
Proceeds from sale of assets	530	6	51,001
Purchases of intangible assets	(1,966)	(8)	—
Net cash (used in) provided by investing activities	(44,498)	(45,882)	3,000

Endurance International Group Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019
Cash flows from financing activities:			
Proceeds from issuance of term loan	1,693,007	1,580,305	—
Repayment of term loan	(1,797,634)	(1,681,094)	(130,980)
Payment of financing costs	(6,304)	(1,580)	—
Payment of deferred consideration	(5,433)	(4,500)	(2,500)
Payment of redeemable non-controlling interest liability	(25,000)	—	—
Principal payments on financed equipment	(7,390)	(7,439)	(8,189)
Proceeds from exercise of stock options	2,049	887	31
Net cash used in financing activities	(146,705)	(113,421)	(141,638)
Net effect of exchange rate on cash and cash equivalents and restricted cash	2,150	(1,791)	(914)
Net increase in cash and cash equivalents and restricted cash	12,220	21,458	22,421
Cash and cash equivalents and restricted cash:			
Beginning of period	56,898	69,118	90,576
End of period	$ 69,118	$ 90,576	$ 112,997
Supplemental cash flow information:			
Interest paid	$ 141,157	$ 134,145	$ 132,805
Income taxes paid	$ 3,369	$ 4,141	$ 4,728
Supplemental disclosure of non-cash financing activities:			
Assets acquired under equipment financing	$ 15,536	$ 1,179	$ —
Operating lease right-of-use assets	$ —	$ —	$ 114,942
Operating lease liabilities—short-term and long-term	$ —	$ —	$ 124,549

See accompanying notes to consolidated financial statements.

Endurance International Group Holdings, Inc.
Notes to Consolidated Financial Statements

1. Nature of Business

Formation and Nature of Business

Endurance International Group Holdings, Inc. (“Holdings”) is a Delaware corporation, which, together with its wholly owned subsidiary, EIG Investors Corp. (“EIG Investors”), its primary operating subsidiary, The Endurance International Group, Inc. (“EIG”), and other subsidiaries of EIG, collectively form the “Company.” The Company is a leading provider of cloud-based platform solutions designed to help small- and medium-sized businesses succeed online.

EIG and EIG Investors were incorporated in April 1997 and May 2007, respectively, and Holdings was originally formed as a limited liability company in October 2011 in connection with the acquisition of a controlling interest in EIG Investors, EIG and EIG’s subsidiaries by investment funds and entities affiliated with Warburg Pincus and Goldman, Sachs & Co. ("Goldman") on December 22, 2011. On November 7, 2012, Holdings reorganized as a Delaware limited partnership and on June 25, 2013, Holdings converted into a Delaware C-corporation and changed its name to Endurance International Group Holdings, Inc.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements, which include the accounts of Holdings and its subsidiaries, have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany transactions have been eliminated on consolidation.

Segment Information

Operating segments are defined as components of an enterprise that engage in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker ("CODM"). The Company has determined that its chief executive officer is the Company's CODM.

The Company has identified three operating segments: web presence, email marketing and domain. The Company has determined that it does not satisfy aggregation criteria for these operating segments, and that each segment meets the quantitative threshold of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, *Segment Reporting*. Therefore, all three operating segments are reportable segments.

The Company's segments share certain resources, primarily related to sales and marketing, engineering and development, and general and administrative functions. Management allocates these costs to each respective segment based on a consistently applied methodology, primarily based on a percentage of revenue.

Use of Estimates

U.S. GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates, judgments and assumptions used in preparing the accompanying consolidated financial statements are based on the relevant facts and circumstances as of the date of the consolidated financial statements. Although the Company regularly assesses these estimates, judgments and assumptions used in preparing the consolidated financial statements, actual results could differ from those estimates. Changes in estimates are recorded in the period in which they become known. The more significant estimates reflected in these consolidated financial statements include estimates of fair value of assets acquired and liabilities assumed under purchase accounting related to the Company’s acquisitions and when evaluating goodwill and long-lived assets for potential impairment, the estimated useful lives of intangible and depreciable assets, revenue recognition for multiple-element arrangements, stock-based compensation, derivative instruments, certain accruals, reserves and deferred taxes.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

Cash Equivalents

Cash and cash equivalents include all highly liquid investments with remaining maturities of three months or less at the date of purchase.

Restricted Cash

Restricted cash is composed of certificates of deposits and cash held by merchant banks and payment processors, which provide collateral against any chargebacks, fees, or other items that may be charged back to the Company by credit card companies and other merchants, and collateral for certain facility leases.

Accounts Receivable

Accounts receivable is primarily composed of cash due from credit card companies for unsettled transactions charged to customers' credit cards. As these amounts reflect authenticated transactions that are fully collectible, the Company does not maintain an allowance for doubtful accounts. The Company also accrues for earned referral fees and commissions, which are governed by reseller or affiliate agreements, when the amount is reasonably estimable.

Prepaid Domain Name Registry Fees

Prepaid domain name registry fees represent amounts that are paid in full at the time a domain is registered by one of the Company's registrars on behalf of a customer. The registry fees are recognized on a straight-line basis over the term of the domain registration period.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, accounts receivable, accounts payable and certain accrued expenses, approximate their fair values due to their short maturities. The fair value of the Company's notes payable is based on the borrowing rates currently available to the Company for debt with similar terms and average maturities and approximates their carrying value.

Derivative Instruments and Hedging Activities

FASB ASC 815, *Derivatives and Hedging*, or ASC 815, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with the FASB's fair value measurement guidance in Accounting Standard Update ("ASU") 2011-4, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements,* the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Concentrations of Credit and Other Risks

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained at accredited financial institutions, and PayPal balances are at times without and in excess of federally insured limits. The Company has never experienced any losses related to these balances and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

For the years ended December 31, 2017, 2018 and 2019, no subscriber represented 10% or more of the Company's total revenue. Additionally, as of December 31, 2018 and 2019, no subscriber represented 10% or more of the Company's total accounts receivable.

Property and Equipment

Property and equipment is recorded at cost or fair value if acquired in an acquisition. The Company also capitalizes the direct costs of constructing additional computer equipment for internal use, as well as upgrades to existing computer equipment which extend the useful life, capacity or operating efficiency of the equipment. Capitalized costs include the cost of materials, shipping and taxes. Materials used for repairs and maintenance of computer equipment are expensed and recorded as a cost of revenue. Materials on hand and construction-in-process are recorded as property and equipment. Assets recorded under property, plant and equipment financing are depreciated over the lease term. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	Thirty-five years
Software	Two to three years
Computers and office equipment	Three years
Furniture and fixtures	Five years
Leasehold improvements	Shorter of useful life or remaining term of the lease

Software Development Costs

The Company accounts for software development costs for internal use software under the provisions of ASC 350-40, *Internal-Use Software*. Accordingly, certain costs to develop internal-use computer software are capitalized, provided these costs are expected to be recoverable. During the years ended December 31, 2017, 2018 and 2019, the Company capitalized internal-use software development costs of $10.2 million, $10.1 million and $13.4 million, respectively.

Business Combinations

The Company accounts for business acquisitions using the purchase method of accounting, in accordance with which assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

Significant judgments are used in determining fair values of assets acquired and liabilities assumed, as well as intangibles and their estimated useful lives. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, royalty cost savings and appropriate discount rates used in computing present values. These judgments may materially impact the estimates used in allocating acquisition date fair values to assets acquired and liabilities assumed, as well as the Company's current and future operating results. Actual results may vary from these estimates which may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever occurs first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within the Company's operating results.

Changes in the fair value of a contingent consideration resulting from a change in the underlying inputs are recognized in results of operations until the arrangement is settled.

Goodwill

Goodwill relates to amounts that arose in connection with various acquisitions and represents the difference between the purchase price and the fair value of the identifiable intangible and tangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but it is subject to periodic review for impairment. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, a decline in the equity value of the business, a significant adverse change in certain agreements that would materially affect reported operating results, business climate or operational performance of the business and an adverse action or assessment by a regulator.

In accordance with ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment*, or ASU 2011-08, the Company is required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. A reporting unit is either the equivalent of, or one level below, an operating segment. The Company early adopted the provisions in ASU 2017-04, which eliminates the second step of the goodwill impairment test. As a result, the Company's goodwill impairment tests include only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired.

The carrying value of each reporting unit is based on the assignment of the appropriate assets and liabilities to each reporting unit. Assets and liabilities were assigned to each reporting unit if the assets or liabilities are employed in the operations of the reporting unit and the asset and liability is considered in the determination of the reporting unit fair value. Certain assets and liabilities are shared by multiple reporting units, and were allocated to each reporting unit based on the relative size of a reporting unit, primarily based on revenue.

The Company's goodwill impairment test as of October 31, 2017 resulted in a $12.1 million impairment of goodwill to the Company's domain monetization reporting unit within the domain segment. The impairment was a direct result of a more rapid decline in domain parking revenue than originally expected, and to a lesser extent, reduced sales of premium domain names. Goodwill for this reporting unit was completely impaired. Goodwill allocated to the other six reporting units to which goodwill has been allocated was not impaired.

As of the test date of October 31, 2018, the fair value for all reporting units was higher than their respective carrying values, and no impairment was recorded.

For the annual impairment test as of October 31, 2019, the Company had a total of seven reporting units to which goodwill has been allocated. Additionally, the Company has three smaller reporting units to which no goodwill has been allocated, as they had been determined to have no material fair value, and one reporting unit which has no remaining goodwill allocated to it.

The Company determines the fair value of each reporting unit by utilizing the income approach and the market approach. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk adjusted rate. The Company derives its discount rates by using a capital asset pricing model and analyzing published rates for industries relevant to its reporting units to estimate the weighted-average cost of capital. The Company uses discount rates that are commensurate with the risks and uncertainty inherent in its business and in its internally developed forecasts. For fiscal years 2017 and 2018, the Company used a discount rate of 10.0% for all but one of its reporting units. For fiscal year 2019, the Company used a discount rate of 10.5% for all but three of its reporting units. For two of the reporting units, which are experiencing declining cash flows, the Company used a discount rate of 13.0% and 13.5%, respectively, to adjust for the risk in the projected cash flows. For the remaining reporting unit, which had just been acquired in September 2019, the Company used a discount rate of 15.5%, to adjust for the risk in the projected cash flows. The Company also performed sensitivity analysis on its discount rates. The Company uses internal forecasts to estimate future after-tax cash flows, which include an estimate of long-term future growth rates based on the Company's view of the long-term outlook for each reporting unit. Actual results may differ from those assumed in the Company's forecasts.

For the market approach, the Company uses a valuation technique in which values are derived based on valuation multiples from comparable public companies, and a valuation multiple from sales of comparable companies.

For the fiscal 2017 goodwill impairment analysis, the Company compared the fair value from the income approach to the market approach based on multiples of comparable public companies and noted no material variances in the valuation techniques.

For the fiscal 2018 goodwill impairment analysis, the Company compared the fair value from the income approach to two market approaches, which included a valuation multiple of comparable public companies and a valuation multiple from sales of comparable companies. For three of the Company's reporting units, which represented approximately 95% of the Company's goodwill at the time of the 2018 goodwill impairment analysis, the fair value derived from the income approach was consistent with the fair value derived from the two market approaches. The Company established the fair value for these reporting units based on the average fair value from all three valuation approaches.

For the fiscal 2018 goodwill impairment analysis, for two of the Company's reporting units, which represented approximately 3% of the Company's goodwill, the Company based their fair value entirely upon the income approach, as these two reporting units were experiencing declining cash flows and were expected to continue to experience declines over time. The fair values from the income approach for these two reporting units were materially below the fair values derived from both market approaches. The goodwill allocated to these two reporting units was approximately $64.2 million as of December 31, 2018. For one of the Company's reporting units, which represented approximately 2% of the Company's goodwill, the fair values derived from the market approaches were much lower than the income approach using a discount rate of 10%. The Company determined that more risk was present in the projected future cash flows of this reporting unit as compared to the Company's other reporting units and determined that a discount rate of 17% was appropriate. The fair value of this reporting unit under the income approach at a discount rate of 17% was consistent with the fair values determined under the two market approaches. The Company established fair value for this reporting unit based on the average fair value from all three valuation approaches.

For the fiscal 2019 goodwill impairment analysis, the Company compared the fair value from the income approach to two market approaches, which included a valuation multiple of comparable public companies and a valuation multiple from sales of comparable companies. For three of the reporting units, which represent approximately 97% of the Company's goodwill as of December 31, 2019, the Company established the fair value based on the average fair value from all three valuation approaches. For two of the remaining reporting units, which represent approximately 3% of the Company's goodwill as of December 31, 2019, the Company established fair value based on the income approach only, because these reporting units are experiencing declining cash flows. The Company calculated and recognized a partial impairment of $10.0 million for one of these reporting units and a full impairment of $2.3 million for the second of these reporting units, both of which were recorded as an operating expense in the consolidated statements of operations and other comprehensive income (loss). For the other two reporting units for which the income approach was used, the Company had just acquired one reporting unit in the three months ended September 30, 2019, and was in the process of disposing of the other reporting unit through a sale in December 2019.

Goodwill as of December 31, 2019 was $1,835.3 million. The carrying value of goodwill that was allocated to the web presence, email marketing and domain segments was $1,202.0 million, $603.4 million and $29.9 million, respectively. The fair value of all but three of the reporting units with goodwill at December 31, 2019 exceeds each reporting unit's carrying value by at least 20%.

Of the other three reporting units with less than 20% excess of fair value over carrying value, one reporting unit is forecast to experience continuing negative growth in both revenue and cash flows. Given this fact pattern, the Company relied upon the income approach in order to quantify the impact of persistent negative growth expectations and to develop a fair value for this reporting unit. The goodwill allocated to this reporting unit as of December 31, 2019 was $52.0 million. The Company expects that cash flows will continue to decline, which could result in goodwill impairment charges for this reporting unit at some point in the future.

The second reporting unit with less than a 20% excess of fair value over carrying value was acquired in September 2019. Based on the short duration between the acquisition date and the testing date, and lacking indications of specific events that either positively or negatively impacted the carrying value, fair value on this reporting unit approximated the allocated goodwill. Goodwill for this reporting unit as of December 31, 2019 was approximately $7.0 million.

The third reporting unit represents a combination of different hosting brands, which the Company will continue to monitor in the future. Though near term cash flows are projected to decline, growth in the cash flows is expected to return after further investments in engineering and development and sales and marketing are made. This reporting unit's fair value was established using three valuation methods, equally weighted. As the reporting unit passed the goodwill impairment test with equal weight given to the three approaches, the Company did not adjust the weight given to the three valuation approaches. As of December 31, 2019, the fair value of this reporting unit, as estimated based upon our future projections, exceeded its carrying value by less than 4%. In the event the Company's investments in engineering and development and sales and marketing do not generate the anticipated improvement in future operating performance, then future impairments may be recognized for this reporting unit. Goodwill for this reporting unit as of December 31, 2019 was approximately $1.2 billion.

Long-Lived Assets

The Company’s long-lived assets consist primarily of intangible assets, including acquired subscriber relationships, trade names, intellectual property, developed technology, and domain names available for sale. The Company also has long-lived tangible assets, primarily consisting of property and equipment. The majority of the Company’s intangible assets are recorded in connection with its various acquisitions. The Company’s intangible assets are recorded at fair value at the time of their acquisition. The Company amortizes intangible assets over their estimated useful lives.

Determination of the estimated useful lives of the individual categories of intangible assets is based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with finite lives is recognized in accordance with their estimated projected cash flows.

The Company evaluates long-lived intangible and tangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present and undiscounted future cash flows are less than the carrying amount, the fair value of the assets is determined and compared to the carrying value. If the fair value is less than the carrying value, then the carrying value of the asset is reduced to the estimated fair value and an impairment loss is charged to expense in the period the impairment is identified.

Indefinite life intangible assets include domain names that are available for sale which are recorded at cost to acquire. These assets are not being amortized and are being tested for impairment annually and whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When a domain name is sold, the Company records the cost of the domain in cost of revenue.

During the year ended December 31, 2017, the Company recognized an impairment charge of $13.8 million relating to certain domain name intangible assets acquired in 2014, which was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss). The impairment resulted from diminished cash flows associated with these intangible assets.

Also during the year ended December 31, 2017, the Company recognized an impairment charge of $4.9 million primarily relating to developed technology and customer relationships associated with the acquisition of the Directi web presence business in 2014. This impairment was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss). The impairment resulted from diminished cash flows associated with these intangible assets.

All of the 2017 impairments described above were recognized in the domain segment.

During the year ended December 31, 2018, the Company did not identify any impairments relating to its long-lived assets.

During the year ended December 31, 2019, the Company recognized an aggregate impairment of $25.2 million, relating primarily to premium domain name intangible assets acquired in 2014, which was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss). The impairment resulted from recent market conditions that have adversely impacted cash flows from these assets, and these market conditions are expected to continue. During the three months ended June 30, 2019, the Company recognized an impairment of $17.9 million. The Company valued its premium domain name assets included in its domain monetization reporting unit based on discounted projected cash flows from these assets using a discount rate of 11.6%, which resulted in an impairment of $16.2 million. The balance of the impairment charge was primarily related to developed technology intangible assets associated with the premium domain business, which were valued using a relief from royalty approach. During the annual goodwill impairment test as of October 31, 2019, the Company valued the domain monetization reporting unit based on discounted projected cash flows from its assets using a discount rate of 10.5% and recognized an additional impairment of $7.3 million, of which $4.6 million related to domain names and the balance related to developed technology and trademarks associated with this reporting unit. As of December 31, 2019, the intangible assets relating to our domain monetization reporting unit have been completely written off.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09 or ASC 606, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. Since then, the FASB has also issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principals versus Agent Considerations,* ASU 2016-10, *Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing,* and ASU 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606)*, and Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments, which further elaborate on the original ASU No. 2014-09. The Company adopted the guidance in ASC 606 on January 1, 2018. Revenue is recognized when control of the promised products or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company provides cloud-based subscription services, which include website hosting and related add-ons, search engine optimization ("SEO") services, domain registration services and email marketing.

Website hosting gives subscribers access to an environment where the Company hosts a customer's website. The related contract terms are generally for one year, but can range from 30 days to three years. Website hosting services are typically sold in bundled offerings that include website hosting, domain registration services and various add-ons. The Company recognizes revenue for website hosting and domain registration services over the term of the contract.

The main add-on services related to website hosting are domain privacy, secure sockets layer ("SSL") security, site backup and restoration, and website builder tools. These services may be included in website hosting bundles, or they may be purchased on a standalone basis. Certain add-on services are provided by third parties. In cases where the Company is acting as an agent for the sale of third party add-on services, the Company recognizes revenue on a net basis at the time of sale. In cases where the Company is acting as a principal for the sale of third party add-on services (i.e., the Company has the primary responsibility to provide specific goods or services, it has discretion to establish prices and it may assume inventory risk), the Company recognizes revenue on a gross basis over the term of the contract. The revenue for Company-provided add-on services is primarily recognized over the term of the contract.

SEO services are monthly subscriptions that provide a customer with increased traffic to their website over the term of the subscription. Revenue from SEO services is recognized over the monthly term of the contract.

In the case of domain registration services, the Company is an accredited registrar and can provide registration services to the customer, or it can select an accredited third party registrar to perform these duties. Domain registration services are generally annual subscriptions, but can cover multiple years. Revenue for these services is recognized over time.

Email marketing services provide subscribers with a cloud-based platform that can send broadcast emails to a customer list managed by the subscriber. Pricing is based on contract list volume from the prior monthly period, which determines the contractual billing price for the upcoming month. Revenue for this service is recognized over the monthly term of the contract.

Inventory management and marketplace listing services provide customers with a cloud-based platform that integrates standard inventory management features with order management and shipping management capabilities across multiple channels. Pricing is primarily based on order volume from the prior monthly period. For inventory management customers who subscribe to an annual plan, revenue is recognized ratably over the term of the contract. Inventory management professional services are also provided to customers when requested, and are recognized into revenue upon completion.

Non-subscription based services include certain professional services, primarily website design or re-design services, marketing development fund revenue ("MDF"), premium domain names and domain parking services.

Website design and re-design services are recognized when the service is complete.

Marketing development funds consist of commissions earned by the Company when a third party sells its products or services directly to the Company's subscribers, and advertising revenue for third party ads placed on Company websites. The Company records revenue when the service is provided and calculates it based on the contractual revenue share arrangement or over the term of the advertisement.

Domain parking allows the Company to monetize certain of its premium domain names by loaning them to specialized third parties that generate advertising revenue from these parked domains on a pay per click ("PPC") basis. Revenue is recognized when earned and calculated based on the revenue share arrangement with the third party.

Revenue from the sale of premium domains is recognized when persuasive evidence of an arrangement to sell such domains exists and delivery of an authorization key to access the domain name has occurred. Premium domain names are paid for in advance prior to the delivery of the domain name.

For most of the Company's performance obligations, the customer simultaneously receives and consumes the service over a period of time as the Company performs the service, resulting in the recognition of revenue over the subscription period. This method provides an appropriate depiction of the timing of the transfer of services to the customer. In limited instances, the customer obtains control of the promised service at a point in time, with no future obligations on the part of the Company. In these instances, the Company recognizes revenue at the point in time control is transferred. The contracts that the Company enters into typically do not contain any variable or non-cash considerations.

The Company maintains a reserve for refunds and chargebacks related to revenue that has been recognized and is expected to be refunded. The Company had a refund and chargeback reserve of $0.4 million and $0.3 million as of December 31, 2018 and 2019, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2018 and 2019 was $2.2 million and $1.9 million, respectively. Based on refund history, a significant majority of refunds happen in the same fiscal month that the customer contract starts or renews. Approximately 84% of all refunds happen in the same fiscal month that the contract starts or renews, and approximately 95% of all refunds happen within 45 days of the contract start or renewal date.

The Company did not apply any practical expedients during its adoption of ASC 606. The Company elected to use the portfolio method in the calculation of the deferred contract assets.

Direct Costs of Revenue

The Company's direct costs of revenue include only those costs directly incurred in connection with the provision of its cloud-based products and services. The direct costs of registering domain names with registries are spread over the terms of the arrangement and the cost of reselling domains of other third-party registrars are expensed as incurred. Cost of revenue includes depreciation on data center equipment and support infrastructure and amortization expense related to the amortization of long-lived intangible assets.

Contracts with Multiple Performance Obligations

A considerable amount of the Company's revenue is generated from transactions that are contracts with customers that may include web hosting plans, domain name registrations, and other cloud-based products and services. In these cases, the Company determines whether the products and services are distinct performance obligations that should be accounted for separately versus together. The Company allocates revenue to each performance obligation based on its relative standalone selling price ("SSP"), generally based on the price charged to customers. Web hosting services, domain name registrations, and other cloud-based products and services have distinct performance obligations and are often sold separately. If the promise is not distinct and therefore not a performance obligation, then the total transaction amount is allocated to the identified performance obligation based on a relative selling price hierarchy. When multiple performance obligations are included in a contract, the total transaction amount for the contract is allocated to the performance obligations based on a relative selling price hierarchy. The Company determines the relative selling price for a performance obligation based on SSP. The Company determines SSP by considering its observed SSPs, competitive prices in the marketplace and management judgment; these SSPs may vary depending upon the particular facts and circumstances related to each deliverable. The Company analyzes the SSPs used in its allocation of transaction amount, at a minimum, on a quarterly basis.

Deferred Revenue

The Company records deferred revenue when cash payments are received or are due in advance of the Company's performance, including amounts that are refundable. The change in the deferred revenue balance for the year ended December 31, 2019 is primarily driven by cash payments received or due in advance of the Company satisfying its performance obligations, offset by $363.5 million of revenue recognized that were included in the deferred revenue balance at the beginning of the period.

The following table provides a reconciliation of the Company's deferred revenue as of December 31, 2019:

	Short-term	Long-term
	(in thousands)	
Balance at December 31, 2018	$ 371,758	$ 96,140
Recognition of the beginning deferred revenue into revenue, as a result of performance obligations satisfied	(363,454)	—
Cash received in advance during the period	805,697	311,336
Recognition of cash received in the period into revenue, as a result of performance obligations satisfied	(749,823)	—
Deferred revenue derecognized due to the disposition of SinglePlatform	(1,825)	—
Foreign translation impact	(702)	—
Reclassification between short-term and long-term	307,824	(307,824)
Balance at December 31, 2019	$ 369,475	$ 99,652

The difference between the opening and closing balances of the Company's deferred liabilities primarily results from the timing difference between the Company's performance and the customer's payment. During the year ended December 31, 2019, the Company recognized $363.5 million and $0.0 million, respectively, from beginning deferred revenue current and long-term balances existing at December 31, 2018. The Company did not recognize any revenue from performance obligations satisfied in prior periods.

The following table provides the remaining performance obligation amounts as of December 31, 2019. These amounts are equivalent to the ending deferred revenue balance of $469.1 million, which includes both short and long-term amounts:

	Web presence	Email marketing	Domain	Total
	(in thousands)			
Remaining performance obligation, short-term	$ 257,051	$ 53,438	$ 58,986	$ 369,475
Remaining performance obligation, long-term	84,366	6	15,280	99,652
Total	$ 341,417	$ 53,444	$ 74,266	$ 469,127

This backlog of revenue related to future performance obligations is prepaid by customers and supported by executed contracts with customers. The Company has established a reserve of $0.3 million for refunds and chargebacks, 95% of which is expected to materialize in the first 45 days after the contract start or renewal date. The remainder of the deferred revenue is expected to be recognized in future periods.

Deferred Customer Acquisition Costs

As a result of the implementation of ASC 606, the Company now capitalizes the incremental costs directly related to obtaining and fulfilling a contract (such as sales commissions and certain direct sales and marketing success based costs), if these costs are expected to be recovered. These costs are amortized over the period the services are transferred to the customer, which is estimated based on customer churn rates for various segments of the business. The Company includes only those incremental costs that would not have been incurred if the contracts had not been entered into:

		Short-term		Long-term
		(in thousands)		
Balance at December 31, 2018	$	41,458	$	42,472
Deferred customer acquisition costs incurred in the period		23,938		36,936
Amounts recognized as expense in the period		(55,479)		—
Foreign translation impact		(115)		83
Reclassification between short-term and long-term		29,801		(29,801)
Adjustment resulting from sale of SinglePlatform business		(1,168)		(910)
Balance at December 31, 2019	$	38,435	$	48,780

As of December 31, 2019, the Company has a total of $74.7 million, $10.6 million and $1.9 million in deferred assets relating to costs incurred to obtain or fulfill contracts in its web presence, email marketing and domain segments, respectively. During the year ended December 31, 2019, the Company recognized total amortization costs related to the above items of $45.8 million, $6.3 million, and $3.4 million in its web presence, email marketing and domain segments, respectively, which were included in sales and marketing in the consolidated statements of operations and comprehensive income (loss).

Significant Judgments

The Company sells a number of third party cloud-based services to enhance a subscriber's overall website hosting experience. The Company exercises considerable judgment to determine if it is the principal or agent in each of these arrangements, and in some instances, has concluded that it is an agent of the third party and recognizes revenue at time of subscriber purchase at an amount that is net of the revenue share payable to the third party.

The Company exercises judgment to determine the SSP (standalone selling price) for each distinct performance obligation. In instances where the SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include a competitive market assessment approach and other observable inputs. The Company typically has more than one SSP for individual products and services.

Judgment is required to determine whether particular types of sales and marketing costs incurred, including commissions, are incremental and recoverable costs incurred to obtain and fulfill the customer contract. In addition, judgment is required to determine the life of the customer over which deferred customer acquisition costs are amortized.

Engineering and Development Costs

Engineering and development costs incurred in the development and maintenance of the Company's technology infrastructure are expensed as incurred.

Sales and Marketing Costs

The Company engages in sales and marketing through various online marketing channels, which include affiliate and search marketing as well as online partnerships. The Company expenses sales and marketing costs as incurred. For the years ended December 31, 2017, 2018 and 2019, the Company's sales and marketing costs were $277.5 million, $265.4 million and $258.0 million, respectively.

Foreign Currency

The Company has sales in a number of foreign currencies. In 2013, the Company commenced operations in foreign locations which report in the local currency. The assets and liabilities of the Company's foreign locations are translated into U.S. dollars at current exchange rates as of the balance sheet date, and revenue and expenses are translated at average monthly exchange rates. The resulting translation adjustments are recorded as a separate component of stockholders' equity and have not been material. Foreign currency transaction gains and losses relate to the settlement of assets or liabilities in another currency.

Foreign currency transaction losses were $0.8 million, $0.5 million, and $1.5 million during the years ended December 31, 2017, 2018 and 2019, respectively. These amounts are recorded in general and administrative expense in the Company's consolidated statements of operations and comprehensive income (loss).

Income Taxes

Income taxes are accounted for in accordance with FASB ASC 740, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the Company expects the differences to reverse. The Company reduces the deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that the Company will not realize some portion or all of the deferred tax assets. The Company considers relevant evidence, both positive and negative, to determine the need for a valuation allowance.

As part of the Tax Cut and Jobs Act of 2017, the Company is subject to a territorial tax system in which it is required to make an accounting policy in providing for tax on Global Intangible Low Taxed Income ("GILTI") earned by certain foreign subsidiaries. The Company has elected to treat the impact of GILTI as a period cost, to be reported as a part of continuing operations, as a component of income tax expense.

Under U.S. GAAP, in order to recognize an uncertain tax benefit, the taxpayer must determine it is more likely than not the position will be sustained, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Although the Company believes that it has adequately provided for liabilities resulting from tax assessment by taxing authorities, positions taken by these tax authorities could have an impact on the Company's results of operations, financial position and/or cash flows. The Company recognizes the interest and penalties related to income taxes as a part of interest expense and operating expenses, respectively, in continuing operations in its consolidated statements of operations and comprehensive income (loss).

In addition, ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is more likely than not to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company had $1.1 million unrecognized tax benefits as of December 31, 2017, $4.4 million as of December 31, 2018, and $4.7 million as of December 31, 2019.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company recognized $0.1 million, $0.4 million, and $0.5 million of interest and penalties related to unrecognized tax benefits during the years ended December 31, 2017, 2018 and 2019, respectively.

Stock-Based Compensation

The Company may issue restricted stock units, restricted stock awards and stock options which vest upon the satisfaction of a performance condition and/or a service condition. The Company follows the provisions of ASC 718, *Compensation—Stock Compensation*, or ASC 718, which requires employee stock-based payments to be accounted for under the fair value method. Under this method, the Company is required to record compensation cost based on the estimated fair value for stock-based awards granted over the requisite service periods for the individual awards, which generally equals the vesting periods, net of estimated forfeitures. The Company uses the straight-line amortization method for recognizing stock-based compensation expense. In addition, for stock-based awards where vesting is dependent upon achieving certain performance goals, the Company estimates the likelihood of achieving the performance goals against established performance targets.

The Company estimates the fair value of employee stock options on the date of grant using the Black-Scholes option-pricing model, which requires the use of highly subjective estimates and assumptions. For restricted stock awards granted, the Company estimates the fair value of each restricted stock award based on the closing trading price of its common stock on the date of grant.

Net (Loss) Income per Share

The Company considered ASC 260-10, *Earnings per Share*, or ASC 260-10, which requires the presentation of both basic and diluted earnings per share in the consolidated statements of operations and comprehensive income (loss). The Company's basic net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding for the period, and, if there are dilutive securities, diluted net (loss) income per share is computed by including common stock equivalents which includes shares issuable upon the exercise of stock options, net of shares assumed to have been purchased with the proceeds, using the treasury stock method.

The Company considered FASB ASC 260-10, *Earnings per Share*, which requires the presentation of both basic and diluted earnings per share in the consolidated statements of operations and comprehensive income (loss). The Company's basic net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding for the period, and, if there are dilutive securities, diluted income per share is computed by including common stock equivalents which includes shares issuable upon the exercise of stock options, net of shares assumed to have been purchased with the proceeds, using the treasury stock method.

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands, except share amounts and per share data)		
Computation of basic and diluted net (loss) income per share:			
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (107,308)	$ 4,534	$ (12,347)
Net (loss) income per share attributable to Endurance International Group Holdings, Inc.:			
Basic	$ (0.78)	$ 0.03	$ (0.09)
Diluted	$ (0.78)	$ 0.03	$ (0.09)
Weighted-average number of common shares used in computing net (loss) income per share attributable to Endurance International Group Holdings, Inc.:			
Basic	137,322,201	142,316,993	145,259,691
Diluted	137,322,201	145,669,760	145,259,691

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

	For the Year Ended December 31,		
	2017	2018	2019
Restricted Stock Awards and Units	8,967,840	4,325,516	4,035,923
Options	10,728,795	8,443,928	8,570,215
Total	19,696,635	12,769,444	12,606,138

Guarantees

The Company has the following guarantees and indemnifications:

In connection with its acquisitions of companies and assets from third parties, the Company may provide indemnification or guarantees to the sellers in the event of damages for breaches or other claims covered by such agreements.

In connection with various vendor contracts, including those by which a product or service of a third party is offered to subscribers of the Company, the Company may guarantee the obligations of its subsidiaries or provide indemnification to the vendors in the event of damages for breaches or other claims covered by the contracts.

As permitted under Delaware and other applicable law, Holdings' charter and by-laws and those of its subsidiary companies provide that the Company shall indemnify its officers and directors for certain liabilities, including those incurred by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited.

The Company leases office space and equipment under various operating leases. The Company has standard indemnification arrangements under these leases that require the Company to indemnify the lessor against losses, liabilities and claims incurred in connection with the premises or equipment covered by the Company's lease agreements, the Company's use of the premises, property damage or personal injury and breach of the agreement.

Through December 31, 2019, the only losses incurred by the Company in connection with any of its indemnification obligations or guarantees relate to immaterial amounts incurred to indemnify officers in connection with SEC investigations settled by the Company in 2018. The Company does not expect material claims related to these indemnification obligations and consequently concluded that the fair value of these obligations is negligible.

Recent Accounting Pronouncements - Recently Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASC 842. Since then, the FASB has also issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, which further clarifies ASU No. 2016-02 and corrects unintended application of guidance. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Company adopted the new standard on January 1, 2019. The Company elected to utilize the available practical expedients and implemented internal controls and reporting systems to enable the preparation of the financial information on adoption and on an ongoing basis subsequent to adoption. Upon adoption, the Company recorded an ROU asset of $114.9 million, and a lease liability of $124.5 million, and reduced accrued facility exit costs by $1.7 million and deferred rent liabilities by $7.9 million. There was no impact to opening retained earnings as a result of the adoption of the new guidance. The impact of applying ASC 842 on the results for reporting periods and balance sheet beginning after January 1, 2019 is presented under ASC 842, while prior amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840, Leases. The Company's accounting for finance leases remained substantially unchanged. See Note 7, *Leases*, for further details.

In July 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718)*. The new guidance expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in ASU No. 2018-07 specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards to a non-employee. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contract with Customers*. The new guidance is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted, provided the company has already adopted the guidance in Topic 606. A company should only remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. Upon transition, the company is required to measure these nonemployee awards at fair value as of the adoption date. The Company adopted the guidance on January 1, 2019. The adoption of this guidance did not have a material impact on its consolidated financial statements.

Recent Accounting Pronouncements - Recently Issued

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The new guidance provides for the deferral of implementation costs for cloud computing arrangements and expensing those costs over the term of the cloud services arrangement. The new guidance is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the timing of adoption and the expected impact of the new guidance.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740),* which amends the existing guidance relating to the accounting for income taxes. This ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of accounting for income taxes and to improve the consistent application of GAAP for other areas of accounting for income taxes by clarifying and amending existing guidance. The new guidance is effective for fiscal years beginning after December 15, 2020. The Company does not expect that the adoption of this new guidance will have a material impact on its consolidated financial statements.

3. Acquisitions/ Divestitures

Acquisitions

The Company accounts for the acquisitions of businesses using the purchase method of accounting. The Company allocates the purchase price to the tangible and identifiable intangible assets and liabilities assumed based on their estimated fair values. Purchased identifiable intangible assets typically include subscriber relationships, trade names, domain names held for sale, developed technology and in-process research and development. The methodologies used to determine the fair value assigned to subscriber relationships and domain names held for sale are typically based on the excess earnings method that considers the return received from the intangible asset and includes certain expenses and also considers an attrition rate based on the Company's internal subscriber analysis and an estimate of the average life of the subscribers. The fair value assigned to trade names is typically based on the income approach using a relief from royalty methodology that assumes that the fair value of a trade name can be measured by estimating the cost of licensing and paying a royalty fee for the trade name that the owner of the trade name avoids. The fair value assigned to developed technology typically uses the cost approach. If applicable, the Company estimates the fair value of contingent consideration payments in determining the purchase price. The contingent consideration is then adjusted to fair value in subsequent periods as an increase or decrease in current earnings in general and administrative expense in the consolidated statements of operations and comprehensive income (loss).

Acquisitions—2019

Ecomdash

On September 13, 2019, the Company acquired substantially all of the assets of LTD Software LLC, doing business as Ecomdash ("Ecomdash"), which is a software provider that offers inventory management and marketplace listing solutions for small and mid-sized businesses selling online. The aggregate purchase price was $9.6 million, of which approximately $8.9 million was paid in cash at the closing. The Company retained the remainder of the purchase price as a holdback to fund any working capital adjustment, if applicable, and to serve as security for the indemnification obligations of the seller under the asset purchase agreement. Subject to any indemnification claims, the Company will release the holdback funds, less a small working capital adjustment, to the seller twelve months from the closing date. Transaction costs were expensed as incurred and were not material. The Company has accounted for this transaction as a business combination in accordance with the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. The following table summarizes the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed at the date of acquisition:

	September 13, 2019 (in thousands)
Working capital	$ (187)
Goodwill	6,973
Developed technology	2,445
Subscriber relationships	390
Total	$ 9,621

Goodwill related to the acquisition is deductible for tax purposes.

Divestitures—2019

On December 5, 2019, the Company completed the sale of substantially all assets of its SinglePlatform digital storefront business, including all of the membership interests of its subsidiary SinglePlatform, LLC, to TripAdvisor LLC for consideration of approximately $51.0 million in cash. The Company recognized a pre-tax gain on the sale of $40.7 million during the fourth quarter of 2019, which was recorded as an operating expense in the consolidated statements of operations and other comprehensive income (loss). SinglePlatform contributed $28.4 million and $25.4 million in revenue in the years ended December 31, 2018 and 2019, respectively.

4. Fair Value Measurements

The following valuation hierarchy is used for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As of December 31, 2018 and 2019, the Company's financial assets required to be measured on a recurring basis consist of the 2015 interest rate cap, the 2018 interest rate cap and certain cash equivalents, which include money market instruments and bank time deposits. The Company has classified these interest rate caps, which are discussed in Note *5. Derivatives and Hedging Activities* below, within Level 2 of the fair value hierarchy. The Company has also classified these cash equivalents within Level 2 of the fair value hierarchy.

Basis of Fair Value Measurements

	Balance		Quoted Prices in Active Markets for Identical Items (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
			(in thousands)				
Balance at December 31, 2018							
Financial assets:							
Cash equivalents (included in cash and cash equivalents)	$	7,874	$	—	$ 7,874	$	—
Interest rate cap (included in other assets)		2,583		—	2,583		—
Total financial assets	$	10,457	$	—	$ 10,457	$	—
Balance at December 31, 2019							
Financial assets:							
Cash equivalents (included in cash and cash equivalents)	$	2,834	$	—	$ 2,834	$	—
Interest rate cap (included in other assets)		6		—	6		—
Total financial assets	$	2,840	$	—	$ 2,840	$	—

The carrying amounts of the Company's other financial assets and liabilities including cash, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values because of the relatively short period of time between their origination and their expected realization or settlement.

5. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company may enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company’s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company’s known or expected cash receipts and its known or expected cash payments principally related to the Company’s investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company has entered into two three-year interest rate caps as part of its risk management strategy, of which the first one matured in the three months ended March 31, 2019. The interest rate caps, designated as cash flow hedges of interest rate risk, provide for the payment to the Company of variable amounts if interest rates rise above the strike rate on the contract in exchange for an upfront premium. Therefore, these derivatives limit the Company’s exposure if the interest rate rises, but also allow the Company to benefit when the interest rate falls.

In December 2015, the Company entered into a three-year interest rate cap with a $500.0 million notional value outstanding. This interest rate cap was effective beginning on February 29, 2016 and matured on February 27, 2019. The fair value of this interest rate contract included in other assets on the consolidated balance sheet as of December 31, 2018 and 2019 was $0.5 million and $0.0 million, respectively. The Company recognized interest expense of $1.9 million and $0.4 million, respectively, in the Company’s consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2018 and 2019, respectively. The Company recognized a $0.1 million loss in Accumulated Other Comprehensive Income ("AOCI") for the year ended December 31, 2019. For the year ended December 31, 2018, the Company recognized a $2.1 million gain in AOCI, net of a tax expense of $0.5 million.

In June 2018, the Company entered into a three-year interest rate cap with an $800.0 million notional value outstanding. This interest rate cap was effective beginning on August 28, 2018. The fair value of this interest rate contract included in other assets on the consolidated balance sheet as of December 31, 2018 and 2019 was $2.0 million and $0.0 million, respectively, and the Company recognized $0.9 million and $1.8 million, respectively, of interest expense in the Company’s consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2018 and 2019, respectively. The Company recognized a $2.7 million loss, net of a tax benefit of $0.6 million, in AOCI for the year ended December 31, 2018. The Company recognized a $0.3 million loss, net of a tax benefit of $0.1 million, in AOCI for the year ended December 31,

2019. The Company estimates that $1.8 million will be reclassified from AOCI to interest expense (as an increase to interest expense) in the next twelve months.

The changes in the fair value of derivatives that qualify as cash flow hedges are recorded in AOCI, and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Any ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. There was no ineffectiveness recorded in earnings for the year ended December 31, 2019.

6. Property, Plant and Equipment

Components of property and equipment consisted of the following:

	December 31, 2018	December 31, 2019
	(in thousands)	
Land	$ 790	$ 790
Building	7,819	8,285
Software	102,259	109,546
Computers and office equipment	157,396	187,056
Furniture and fixtures	19,258	18,918
Leasehold improvements	20,215	20,469
Construction in process	12,314	5,850
Property and equipment—at cost	320,051	350,914
Less accumulated depreciation	(227,776)	(264,989)
Property and equipment—net	$ 92,275	$ 85,925

Depreciation expense related to property and equipment for the years ended December 31, 2017, 2018 and 2019 was $55.2 million, $48.2 million, and $45.0 million, respectively.

The Company evaluates long-lived assets such as property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present and undiscounted future cash flows are less than the carrying amount, the fair value of the assets is determined and compared to the carrying value. If the fair value is less than the carrying value, then the carrying value of the asset is reduced to the estimated fair value and an impairment loss is charged to expense in the period the impairment is identified.

During the years ended December 31, 2017, 2018 and 2019, the Company did not recognize any impairments with respect to its property, plant and equipment.

During the years ended December 31, 2018 and 2019, the Company entered into agreements to finance software licenses for use on certain data center server equipment for terms ranging from twenty-four months to thirty-nine months.

As of December 31, 2018 and 2019, the Company's software shown in the above table included the software assets under financed equipment was as follows:

	December 31, 2018	December 31, 2019
	(in thousands)	
Software	$ 16,715	$ 16,715
Less accumulated depreciation	(6,221)	(11,989)
Financed equipment—net	$ 10,494	$ 4,726

At December 31, 2019, the expected future minimum lease payments under financed equipment discussed above were approximately as follows:

	Amount
	(in thousands)
2020	$ 828
2021	—
Total minimum lease payments	828
Less amounts representing interest	(38)
Present value of financed equipment	$ 790
Current portion	790
Long-term portion	—

7. Leases

The Company has operating leases for data centers, corporate offices, data center equipment, and office equipment. The Company's leases have remaining lease terms of 1 year to 8 years, some of which include options to extend. The Company's lease expense for the year ended December 31, 2019 consisted entirely of operating leases and amounted to $28.8 million. Operating lease payments, which reduced operating cash flows for the year ended December 31, 2019, amounted to $27.3 million. Supplemental balance sheet information related to leases was as follows:

	December 31, 2019
	(in thousands)
Operating lease right-of-use assets	$ 90,519
Operating lease liabilities—short term	21,193
Operating lease liabilities—long term	78,151
Total operating lease liabilities	$ 99,344

As of December 31, 2019, the weighted-average remaining lease term was 5.32 years and the discount rate for the Company's leases was 6.77%. Maturities for leases were as follows:

	Operating Leases
	(in thousands)
2020	$ 27,098
2021	20,728
2022	18,882
2023	17,656
2024	13,832
Thereafter	20,693
Total lease payments	118,889
Less imputed interest	19,545
Total	$ 99,344

Total net rent expense incurred under non-cancellable operating leases for the years ended December 31, 2017, 2018 and 2019, were $22.1 million, $20.8 million and $20.4 million, respectively. Total sublease income for the years ended December 31, 2017, 2018 and 2019 was $0.5 million, $1.0 million and $1.4 million, respectively.

8. Goodwill and Other Intangible Assets

The following table summarizes the changes in the Company’s goodwill balances as of December 31, 2018 and 2019:

	Web presence	Email marketing	Domain	Total
		(in thousands)		
Goodwill balance at December 31, 2017	$ 1,216,419	$ 604,305	$ 29,858	$ 1,850,582
Foreign translation impact	(1,517)	—	—	(1,517)
Goodwill balance at December 31, 2018	$ 1,214,902	$ 604,305	$ 29,858	$ 1,849,065
Goodwill related to 2019 acquisition	—	6,973	—	6,973
Goodwill related to 2019 divestiture	—	(7,864)	—	(7,864)
Foreign translation impact	(531)	—	—	(531)
Impairment	(12,333)	—	—	(12,333)
Goodwill balance at December 31, 2019	$ 1,202,038	$ 603,414	$ 29,858	$ 1,835,310

In accordance with ASC 350, the Company reviews goodwill and other indefinite-lived intangible assets for indicators of impairment on an annual basis, in addition to ad hoc reviews of goodwill if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill below its carrying amount.

As of December 31, 2018, other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
		(dollars in thousands)		
Developed technology	$ 284,266	$ 180,914	$ 103,352	7 years
Subscriber relationships	659,515	486,518	172,997	7 years
Tradenames	134,048	84,617	49,431	8 years
Intellectual property	34,263	28,954	5,309	5 years
Domain names available for sale	30,981	9,554	21,427	Indefinite
Total December 31, 2018	$ 1,143,073	$ 790,557	$ 352,516	

As of December 31, 2019, other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
		(dollars in thousands)		
Developed technology	$ 280,330	$ 207,844	$ 72,486	7 years
Subscriber relationships	659,837	529,276	130,561	7 years
Tradenames	134,046	94,982	39,064	8 years
Intellectual property	34,263	31,372	2,891	5 years
Domain names available for sale	18,160	18,160	—	Indefinite
Total December 31, 2019	$ 1,126,636	$ 881,634	$ 245,002	

During the year ended December 31, 2018 there were no impairment charges of intangible assets. During the year ended December 31, 2019, the Company recorded an aggregate impairment charge of $25.2 million relating to premium domain name intangible assets acquired in 2014, consisting of an impairment charge of $17.9 million recognized in the three months ended June 30, 2019 and an impairment charge of $7.3 million in the three months ended December 31, 2019. Both of these impairment charges were recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss). The impairments resulted from recent market conditions that have adversely impacted cash flows from these assets, and these market conditions are expected to continue.

The estimated useful lives of the individual categories of other intangible assets are based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with finite lives is recognized over the period of time the assets are expected to contribute to future cash flows. The Company amortizes finite-lived intangible assets over the period in which the economic benefits are expected to be realized based upon their estimated projected cash flows.

The Company's amortization expense is included in cost of revenue in the aggregate amounts of $140.4 million, $103.1 million, and $85.2 million for the years ended December 31, 2017, 2018 and 2019, respectively.

As of December 31, 2019, the expected future amortization of the other intangible assets, excluding indefinite life and in-process research and development intangibles, was approximately as follows:

Year Ending December 31,	Amount (in thousands)
2020	$ 71,321
2021	61,322
2022	37,699
2023	18,178
2024	13,935
Thereafter	42,547
Total	$ 245,002

9. Investments

As of December 31, 2018 and 2019, the Company’s carrying value of investments in privately-held companies was $15.0 million and $15.0 million, respectively.

In May 2014, the Company made a strategic investment of $15.0 million in Automattic, Inc. (“Automattic”), which provides content management systems associated with WordPress. The investment represents less than 5.0% of the outstanding shares of Automattic. The investment is accounted for using the measurement alternative under ASU 2016-01 as fair value is not readily available.

On March 3, 2016, the Company purchased a $0.6 million convertible promissory note from a business that provides web and mobile money management solutions, with the potential for subsequent purchases of additional convertible notes. During the year ended December 31, 2017, the Company recognized an impairment expense of $0.6 million in other expense in the consolidated statement of operations and comprehensive income (loss), as the carrying amount of the investment was deemed unrecoverable. This impairment was recognized in the Company's web presence segment.

On April 8, 2016, the Company made an investment of $5.0 million for a 33.0% equity interest in Fortifico Limited, a company providing a billing, customer relationship management (CRM), and affiliate management solution to small and mid-sized businesses. During the year ended December 31, 2016, the Company incurred a charge of $4.7 million to impair the Company's 33% equity interest in Fortifico Limited, after determining that there were diminishing projected future cash flows on this investment.

Investments in which the Company’s interest is less than 20.0% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in which the Company’s voting interest is between 20.0% and 50.0%, the equity method of accounting is used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company’s share of net earnings or losses of the investee company, as they occur, limited to the extent of the Company’s investment in, advances to and commitments for the investee. These adjustments are reflected in equity (income) loss of unconsolidated entities, net of tax in the Company’s consolidated statements of operations and comprehensive income (loss). The Company recognized net profit of $0.1 million and net loss of $0.3 million for the years ended December 31, 2017 and 2018, respectively. The Company recorded no charges related to its investments during the year ended December 31, 2019.

From time to time, the Company may make new and follow-on investments and may receive distributions from investee companies. As of December 31, 2019, the Company was not obligated to fund any follow-on investments in these investee companies.

As of December 31, 2019, the Company did not have an equity method investment in which the Company’s proportionate share exceeded 10% of the Company’s consolidated assets or income from continuing operations. As of December 31, 2019, the Company did not have an equity method investment in which the Company’s proportionate share of net losses exceeded 20% of net loss of the Company’s consolidated statement of operations and comprehensive income (loss).

10. Notes Payable

As of December 31, 2018 and 2019, notes payable, net of original issuance discounts (sometimes referred to as "OID") and deferred financing costs, consisted of the following:

	December 31, 2018	December 31, 2019
	(in thousands)	
Term Loan	$ 1,470,085	$ 1,347,056
Notes	331,576	334,417
Revolving credit facilities	—	—
Total notes payable	1,801,661	1,681,473
Current portion of notes payable	31,606	31,606
Notes Payable—long term	$ 1,770,055	$ 1,649,867

First Lien Term Loan Facility

The first lien term loan (the "Term Loan") was issued at par and automatically bears interest at an alternate base rate unless the Company gives notice to opt for the LIBOR-based interest rate. The LIBOR-based interest rate for the Term Loan is 3.75% per annum plus the greater of an adjusted LIBOR or 1.00%. The alternate base rate for the Term Loan is 2.75% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%.

The Term Loan has a maturity date of February 9, 2023 and requires quarterly mandatory repayments of principal. During the year ended December 31, 2019, the Company made four mandatory repayments of $7.9 million, three voluntary repayments of $17.1 million each, and one mandatory payment of $48.1 million (triggered by the sale of the SinglePlatform business during the fourth quarter), for a total repayment of $131.0 million.

Interest is payable on maturity of the elected interest period for a term loan with LIBOR-based interest rate, which interest period can be one, two, three or six months. Interest is payable at the end of each fiscal quarter for a term loan with an alternate base rate.

As of December 31, 2018 and 2019, the Term Loan had an outstanding balance of:

	December 31, 2018	December 31, 2019
	(in thousands)	
Term Loan	$ 1,505,002	$ 1,374,022
Unamortized deferred financing costs	(18,556)	(14,331)
Unamortized original issue discount	(16,361)	(12,635)
Net Term Loan	1,470,085	1,347,056
Current portion of Term Loan	31,606	31,606
Term Loan—long term	$ 1,438,479	$ 1,315,450

Revolving Credit Facility

The Company has a revolving credit facility (the "Revolver"), which has an aggregate available amount of $165.0 million. As of December 31, 2018 and 2019, the Company did not have any balances outstanding under the Revolver and the full amount of the facility was unused and available.

The Revolver consists of a non-extended tranche of approximately $58.8 million and an extended tranche of approximately $106.2 million. The non-extended tranche has a maturity date of February 9, 2021. The extended tranche has a maturity date of June 20, 2023, with a "springing" maturity date of November 10, 2022 if the Term Loan has not been repaid in full or otherwise extended to September 19, 2023 or later prior to November 10, 2022.

The Company has the ability to draw down against the Revolver using a LIBOR-based interest rate or an alternate based interest rate. The LIBOR-based interest rate for a non-extended revolving loan is 4.0% per annum (subject to a leverage-based step-down) and for an extended revolving loan is 3.25% per annum (subject to a leverage-based step-down), in each plus an adjusted LIBOR for a selected interest period. The alternate base rate for a non-extended revolving loan is 3.0% per annum (subject to a leverage-based step-down) and for an extended revolving loan is 2.25% per annum (subject to a leverage-based step down), in each case plus the greatest of the prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR for a one-month interest period plus 1.00%. There is also a non-refundable commitment fee, equal to 0.50% per annum (subject to a leverage-based step-down) of the daily unused principal amount of the Revolver, which is payable in arrears on the last day of each fiscal quarter. Interest is payable on maturity of the elected interest period for a Revolver loan with a LIBOR-based interest rate, which interest period can be one, two, three or six months. Interest is payable at the end of each fiscal quarter for a Revolver loan with an alternate base rate.

Senior Notes

In connection with the acquisition of Constant Contact, Inc. ("Constant Contact") in February 2016, EIG Investors issued $350.0 million aggregate principal amount of Senior Notes (the "Senior Notes") with a maturity date of February 1, 2024. The Senior Notes were issued at a price of 98.065% of par and bear interest at the rate of 10.875% per annum. The Senior Notes have been fully and unconditionally guaranteed, on a senior unsecured basis, by the Company and its subsidiaries that guarantee the Term Loan and the Revolver (including Constant Contact and certain of its subsidiaries). The Company has the right to redeem all or part of the Senior Notes at any time for a premium which is based on the applicable redemption date. As of December 31, 2018 and 2019, the Senior Notes had an outstanding balance of:

	December 31, 2018	December 31, 2019
	(in thousands)	
Senior Notes	$ 350,000	$ 350,000
Unamortized deferred financing costs	(13,436)	(11,359)
Unamortized original issue discounts	(4,988)	(4,224)
Net Senior Notes	331,576	334,417
Current portion of Senior Notes	—	—
Senior Notes—long term	$ 331,576	$ 334,417

Interest on the Senior Notes is payable twice a year, on August 1 and February 1.

On January 30, 2017, the Company completed a registered exchange offer for the Senior Notes, as required under the registration rights agreement it entered into with the initial purchasers of the Senior Notes. All of the $350.0 million aggregate principal amount of the Senior Notes was validly tendered for exchange as part of this exchange offer.

Maturity of Notes Payable

The maturity of the notes payable as of December 31, 2019 is as follows:

	Amounts
Maturity date as of December 31,	**(in thousands)**
2020	$ 31,606
2021	31,606
2022	31,606
2023	1,279,204
2024	350,000
Thereafter	—
Total	$ 1,724,022

Interest

The Company recorded $157.1 million, $149.5 million, and $144.7 million in interest expense for the years ended December 31, 2017, 2018 and 2019, respectively.

The following table provides a summary of loan interest rates incurred and interest expense for the years ended December 31, 2017, 2018 and 2019:

	For the Year Ended December 31,		
	2017	2018	2019
	(dollars in thousands)		
Interest rate—LIBOR	5.14%-6.68%	5.46%-6.44%	5.45%-6.44%
Interest rate—alternate base	*	*	*
Interest rate—Notes	10.875%	10.875%	10.875%
Non-refundable fee—unused facility	0.50%	0.50%	0.50%
Interest expense and service fees	$ 138,041	$ 136,094	$ 132,326
Loss on extinguishment of debt	992	331	—
Deferred financing costs immediately expensed	5,487	1,228	—
Amortization of deferred financing fees	7,316	6,454	7,179
Amortization of original issue discounts	3,860	4,305	4,490
Amortization of net present value of deferred consideration	632	373	163
Other interest expense	814	695	$ 518
Total interest expense	$ 157,142	$ 149,480	$ 144,676

* The Company did not have debt bearing interest based on the alternate base rate for the years ended December 31, 2018 and 2019.

The Company concluded that the refinancing of its then-outstanding term loan in June 2018 (the "2018 Refinancing") was primarily a debt modification of the existing term loan in accordance with ASC 470-50, *Debt: Modifications and Extinguishments*, with extinguishment relating only to one existing lender that did not participate in the 2018 Refinancing. As a result, during the second quarter of 2018, the Company capitalized $0.4 million of deferred financing costs related to new lenders participating in the Term Loan. These capitalized costs will be amortized over the remaining life of the loan using the effective interest method. Additionally, in the second quarter of 2018, the Company recorded a charge of $0.3 million, included in interest expense, to write off OID and deferred financing costs related to the refinanced debt for the lender not participating in the Term Loan. Lastly, the Company recorded a charge of $1.2 million during the second quarter of 2018, included in interest expense, for deferred financing costs incurred for the Term Loan that related to existing lenders that carried over from the refinanced debt.

Debt Covenants

The Term Loan and the Revolver (together, the "Senior Credit Facilities") require that the Company complies with a financial covenant to maintain a maximum ratio of consolidated senior secured net indebtedness to an adjusted consolidated EBITDA measure.

The Senior Credit Facilities also contain covenants that limit the Company's ability to, among other things, incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of capital stock; make other restricted payments; make certain investments; sell or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates. These covenants are subject to a number of important limitations and exceptions.

Additionally, the Senior Credit Facilities require the Company to comply with certain negative covenants and specify certain events of default that could result in amounts becoming payable, in whole or in part, prior to their maturity dates.

With the exception of certain equity interests and other excluded assets under the terms of the Senior Credit Facilities, substantially all of the Company's assets are pledged as collateral for the obligations under the Senior Credit Facilities. The indenture with respect to the Notes contains covenants that limit the Company's ability to, among other things, incur additional debt or issue certain preferred shares; pay dividends on or make other distributions in respect of capital stock; make other restricted payments; make certain investments; sell or transfer certain assets; create liens on certain assets to secure debt; consolidate, merge sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates. Upon a change of control as defined in the indenture, the Company must offer to repurchase the Notes at 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, up to, but not including, the repurchase date. These covenants are subject to a number of important limitations and exceptions.

The indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

The Company was in compliance with all covenants at December 31, 2019.

11. Stockholders' Equity

The Company's restated certificate of incorporation authorizes the issuance of up to 500,000,000 shares of common stock and up to 5,000,000 shares of preferred stock, each having a par value of $0.0001 per share. All holders of common stock are entitled to one vote per share. Upon the issuance of preferred stock, if any, the voting, dividend and liquidation rights of the holders of the common stock will be subject to and qualified by the rights of the holders of the preferred stock. Preferred stock may be issued from time to time in one or more series. The Company's board of directors has the authority to establish voting powers, designations, preferences and other special rights, including dividend rights and liquidation preferences, to the full extent permitted by law for each series of preferred stock that may be issued.

There were no shares of preferred stock issued or outstanding as of December 31, 2018 and 2019.

12. Stock-Based Compensation

The Company follows the provisions of ASC 718, *Compensation—Stock Compensation*, or ASC 718, which requires employee stock-based payments to be accounted for under the fair value method. Under this method, the Company is required to record compensation cost based on the estimated fair value for stock-based awards granted over the requisite service periods for the individual awards, which generally equals the vesting periods. The Company uses the straight-line amortization method for recognizing stock-based compensation expense.

The Company estimates the fair value of employee stock options on the date of grant using the Black-Scholes option-pricing model, which requires the use of highly subjective estimates and assumptions. For restricted stock awards and units granted, the Company estimates the fair value of each restricted stock award and unit based on the closing trading price of its common stock on the date of grant.

The Company has two stock incentive plans, as described below.

2013 Stock Incentive Plan

The Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") of the Company became effective upon the closing of the Company's IPO. The 2013 Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to employees, officers, directors, consultants and advisers of the Company. Under the 2013 Plan, the Company may issue up to 38,000,000 shares of the Company's common stock. At December 31, 2019, there were 12,959,690 shares available for grant under the 2013 Plan.

2011 Stock Incentive Plan

As of February 9, 2016, the effective date of the acquisition of Constant Contact, the Company assumed and converted certain outstanding equity awards granted by Constant Contact under the Constant Contact 2011 Stock Incentive Plan (the "2011 Plan") prior to the effective date of the acquisition (the "Assumed Awards") into corresponding equity awards with respect to shares of the Company's common stock. In addition, the Company assumed certain shares of Constant Contact common stock, par value $0.01 per share, available for issuance under the 2011 Plan (the "Available Shares"), which are available for future issuance under the 2011 Plan in satisfaction of the vesting, exercise or other settlement of options and other equity awards that may be granted by the Company following the effective date of the acquisition of Constant Contact in reliance on the prior approval of the 2011 Plan by the stockholders of Constant Contact. The Assumed Awards were converted into 2,143,987 stock options and 2,202,846 restricted stock units with respect to the Company's common stock and the Available Shares were converted into 10,000,000 shares of the Company's common stock reserved for future awards under the 2011 Plan. At December 31, 2019, there were 8,835,205 shares available for grant under the 2011 Plan.

The Company calculated the fair value of the exchanged awards in accordance with the provisions of ASC 718 as of the acquisition date. The Company allocated the fair value of these awards between the pre-acquisition and post-acquisition stock-based compensation expense. The Company determined that the value of the awards under this plan was $22.3 million, of which $5.4 million was attributed to the pre-acquisition period and recognized as part of the purchase consideration for Constant Contact. The balance of $16.9 million has been attributed to the post-acquisition period, and is being recognized in the Company's consolidated statements of operations and comprehensive income (loss) over the vesting period of the awards.

All Plans

The following table presents total stock-based compensation expense recorded in the consolidated statements of operations and comprehensive income (loss) for all awards granted under the Company's 2013 Plan and the 2011 Plan:

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Cost of revenue	$ 6,135	$ 3,823	$ 3,282
Sales and marketing	8,658	5,418	7,217
Engineering and development	6,090	4,495	4,908
General and administrative	39,118	15,328	20,285
Total stock-based compensation expense	$ 60,001	$ 29,064	$ 35,692

Under both plans combined, as of December 31, 2019, the Company has approximately $5.5 million of unrecognized stock-based compensation expense related to option awards that will be recognized over 1.6 years and approximately $45.3 million of unrecognized stock-based compensation expense related to restricted stock awards and units that will be recognized over approximately 1.9 years.

2013 Stock Incentive Plan

For stock options issued under the 2013 Plan, the fair value of each option is estimated on the date of grant, and upon the adoption of ASU 2016-09, the Company accounts for forfeitures as they are incurred. Unless otherwise approved by the Company's board of directors, stock options typically vest over a three- or four-year period and the Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock option awards and determine the related compensation expense. The weighted-average assumptions used to compute stock-based compensation expense for awards granted under the 2013 Plan during the years ended December 31, 2017, 2018 and 2019 are as follows:

	2017	2018	2019
Risk-free interest rate	2.2%	2.9%	2.6%
Expected volatility	50.5%	47.8%	44.6%
Expected life (in years)	6.25	6.00	6.00
Expected dividend yield	—	—	—

The risk-free interest rate assumption was based on the U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. The Company bases its estimate of expected volatility using blended volatility data from the Company's common stock and from comparable public companies in similar industries and markets because there is currently limited public history for the Company's common stock, and therefore, a lack of market-based company-specific historical and implied volatility information. The weighted-average expected life for employee options reflects the application of the simplified method, which represents the average of the contractual term of the options and the weighted-average vesting period for all option tranches. The simplified method has been used since the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to a limited history of stock option grants. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future.

The following table provides a summary of the Company's stock options as of December 31, 2019 and the stock option activity for all stock options granted under the 2013 Plan during the year ended December 31, 2019:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[3] (in thousands)
Outstanding at December 31, 2018	7,322,293	$ 11.62		
Granted	1,215,789	$ 7.99		
Exercised	—	$ —		
Forfeited	(201,365)	$ 8.04		
Canceled	(3,060,038)	$ 12.23		
Outstanding at December 31, 2019	5,276,679	$ 10.57	6.7	$ —
Exercisable at December 31, 2019	3,688,733	$ 11.63	5.8	$ —
Expected to vest after December 31, 2019[1]	1,587,946	$ 8.12	8.6	$ —
Exercisable as of December 31, 2019 and expected to vest thereafter[2]	5,276,679	$ 10.57	6.6	$ —

(1) This represents the number of unvested options outstanding as of December 31, 2019 that are expected to vest in the future.

(2) This represents the number of vested options as of December 31, 2019 plus the number of unvested options outstanding as of December 31, 2019 that are expected to vest in the future.

(3) The aggregate intrinsic value was calculated based on the positive difference between the estimated fair value of the Company's common stock on December 31, 2019 of $4.70 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

Restricted stock awards granted under the 2013 Plan generally vest annually over a four-year period, unless otherwise determined by the Company's board of directors. Performance-based restricted stock awards are earned based on the achievement of performance criteria established by the Company's compensation committee and board of directors. The following table provides a summary of the Company's restricted stock award activity for the 2013 Plan during the year ended December 31, 2019:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2018	443,247	$ 11.67
Granted	—	$ —
Vested	(246,757)	$ 12.57
Canceled	(36,973)	$ 9.87
Non-vested at December 31, 2019	159,517	$ 10.68

Restricted stock units granted under the 2013 Plan generally vest annually over a three-year period, unless otherwise determined by the Company's board of directors. The following table provides a summary of the Company's restricted stock unit activity for the 2013 Plan during the year ended December 31, 2019:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2018	5,203,259	$ 7.69
Granted	7,426,877	$ 6.62
Vested	(2,126,221)	$ 7.70
Canceled	(1,498,806)	$ 7.12
Non-vested at December 31, 2019	9,005,109	$ 6.90

2015 Performance Based Award

During fiscal year 2015, the Company granted a performance-based restricted stock award to the Company's chief executive officer at that time, Hari Ravichandran, which provided for the opportunity to earn up to 3,693,754 shares of the Company's common stock (the "Award Shares") over a three-year period beginning July 1, 2015 and ending on June 30, 2018 (the "Performance Period"). Award Shares could be earned based on the Company achieving pre-established threshold, target and maximum performance metrics. This performance-based award was evaluated quarterly to determine the probability of its vesting and to determine the amount of stock-based compensation to be recognized.

In April 2017, the Company announced that its board of directors and Mr. Ravichandran adopted a transition plan. As a result of this transition, Mr. Ravichandran's employment with the Company ended during the fourth quarter of fiscal year 2017. Upon the end of his employment, in accordance with the terms of the award, Mr. Ravichandran received the Award Shares earned in the quarters completed prior to the separation, plus the number of Award Shares that would have been earned in the quarter in which the separation occurred, which amounted to an aggregate of 1,661,439 shares. The unearned 2,032,315 shares were forfeited. During the years ended December 31, 2015 and December 31, 2016, the Company recorded compensation expense of $5.9 million and $6.8 million, respectively, in connection with this award. The final compensation charges in connection with this award of $12.1 million were recorded during the year ended December 31, 2017.

2016 Performance Based Awards

On February 16, 2016, the compensation committee of the board of directors of the Company approved the grant of performance-based restricted stock awards to the Company's chief financial officer ("CFO"), chief operating officer ("COO") at that time, and chief administrative officer ("CAO") at that time. Based on the Company's achievement of Constant Contact revenue, adjusted EBITDA and cash flow metrics, each executive earned the maximum number of shares subject to his or her award. The CFO earned 223,214 shares of the Company's stock, the COO earned 260,416 shares of the Company's stock, and the CAO earned 148,810 shares of the Company's stock. These earned shares vested on March 31, 2017. During the fiscal year ended December 31, 2016, the Company recognized $4.1 million of stock-based compensation expense related to these performance-based awards. During the year ended December 31, 2017, the Company recognized $1.2 million of stock-based compensation expense related to these performance-based awards.

New CEO Award

On August 11, 2017, the Company and Jeffrey H. Fox entered into an employment agreement (the "Employment Agreement") appointing Mr. Fox as the Company's president and chief executive officer effective upon his employment start date (the "Effective Date") of August 22, 2017. The Employment Agreement provides for Mr. Fox to receive, on the Effective Date, an equity award under the 2013 Plan with a total value of $10,375,000 as of August 11, 2017, split between and award of 1,032,500 restricted stock units (the "RSU Award") and an option to purchase 612,419 shares of the Company's common stock (the "Stock Option Grant").

282,500 of the restricted stock units subject to the RSU Award vested immediately on the Effective Date, but are subject to a requirement that Mr. Fox hold the shares underlying such restricted stock units until the earlier of the third anniversary of the Effective Date, his death or disability (as defined in the Employment Agreement) or a change in control of the company (as defined in the Employment Agreement). The Company recorded a charge of $2.2 million for these immediately vested shares during the year ended December 31, 2017. The remaining 750,000 restricted stock units subject to the RSU Award will vest over a three-year period, with 250,000 of such restricted stock units vesting annually on the anniversary of the Effective Date. The Stock Option Grant will vest over a three-year period, with one-third of the total number of shares subject to the Stock Option Grant vesting on the first anniversary of the Effective Date and the remainder vesting in equally monthly installments thereafter.

2011 Stock Incentive Plan

For stock options issued under the 2011 Plan, the fair value of each option is estimated on the date of grant. Unless otherwise approved by the Company's board of directors, stock options typically vest over a three- or a four years period and the Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. The Company uses the Black-Scholes option simplified pricing model to estimate the fair value of stock option awards and determine the related compensation expense. There were no stock options granted under the 2011 Plan for the years ended December 31, 2018 and 2019.

The following table provides a summary of the Company's stock options as of December 31, 2019 and the stock option activity for all stock options granted under the 2011 Plan during the year ended December 31, 2019:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value[3] (in thousands)
Outstanding at December 31, 2018	715,104	$ 9.00		
Granted	—	$ —		
Exercised	(6,793)	$ 4.81		
Forfeited	(27,281)	$ 9.53		
Canceled	(147,483)	$ 9.75		
Outstanding at December 31, 2019	533,547	$ 8.83	2.0	$ 19
Exercisable at December 31, 2019	512,265	$ 8.79	1.9	$ 19
Expected to vest after December 31, 2019[1]	21,282	$ 9.71	3.6	$ —
Exercisable as of December 31, 2019 and expected to vest thereafter[2]	533,547	$ 8.83	2.0	$ 19

(1) This represents the number of unvested options outstanding as of December 31, 2019 that are expected to vest in the future.
(2) This represents the number of vested options as of December 31, 2019 plus the number of unvested options outstanding as of December 31, 2019 that are expected to vest in the future.
(3) The aggregate intrinsic value was calculated based on the positive difference between the estimated fair value of the Company's common stock on December 31, 2019 of $4.70 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

Unless otherwise determined by the Company's board of directors, restricted stock units granted under the 2011 Plan generally vest annually over a three or four-year period. The following table provides a summary of the Company's restricted stock unit activity for the 2011 Plan during the year ended December 31, 2019:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2018	868,026	$ 8.26
Granted	—	$ —
Vested	(435,919)	$ 8.20
Canceled	(111,965)	$ 8.26
Non-vested at December 31, 2019	320,142	$ 8.35

2016 Award Obligations

For the year ended December 31, 2016, stock-based compensation expense included $0.7 million of equity award obligations pursuant to which the Company agreed to issue shares of common stock upon the achievement of certain conditions, of which $0.3 million was recorded in sales and marketing expense, $0.1 million was recorded in engineering and development expense, and $0.3 million was recorded in general and administrative expense within the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2016. This amount was included in accrued expenses at December 31, 2017, and would be reclassified against additional paid in capital upon issuance of the shares. During the year ended December 31, 2017, the Company incurred stock-based compensation expense of $1.2 million relating to these 2016 award obligations, all of which was recorded in sales and marketing expense within the consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2017. All of the shares issued pursuant to the 2016 equity award obligations were issued during the year ended December 31, 2017 and were reclassified against additional paid in capital at that time.

13. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax were as follows:

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	Foreign Currency Translation Adjustments	Unrealized Losses on Cash Flow Hedges	Total
	(in thousands)		
Balance at December 31, 2017	$ 696	$ (1,237)	$ (541)
Other comprehensive loss	(2,233)	(437)	(2,670)
Balance at December 31, 2018	(1,537)	(1,674)	(3,211)
Other comprehensive loss	(598)	(279)	(877)
Balance at December 31, 2019	$ (2,135)	$ (1,953)	$ (4,088)

14. Revenue

During the year ended December 31, 2019, the Company recognized $1,113.3 million of revenue, the majority of which was derived from contracts with customers.

During the year ended December 31, 2019, the Company did not incur any impairment losses on any receivables or contract assets arising from the Company's contracts with customers.

During the year ended December 31, 2019, the Company did not incur any credit losses on any receivables or contract assets arising from the Company's contracts with customers.

In accordance with ASC 606, the Company disaggregates revenue from contracts with customers based on the timing of revenue recognition. The Company determined that disaggregating revenue into these categories depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. As discussed in Note 21, *Segment Information*, the Company business consists of the web presence, email marketing and domain segments. The following table presents disaggregated revenues by category for the years ended December 31, 2018 and 2019:

	Year Ended December 31, 2018			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Subscription-based revenue				
Direct revenue from subscriptions	$ 561,583	$ 404,533	$ 52,016	$ 1,018,132
Professional services	13,414	1,373	401	15,188
Reseller revenue	21,587	3,537	51,754	76,878
Total subscription-based revenue	$ 596,584	$ 409,443	$ 104,171	$ 1,110,198
Non-subscription-based revenue				
MDF	$ 7,842	$ 609	$ 789	$ 9,240
Premium domains	84	—	20,025	20,109
Domain parking and monetization	805	—	4,939	5,744
Total non-subscription-based revenue	$ 8,731	$ 609	$ 25,753	$ 35,093
Total revenue	$ 605,315	$ 410,052	$ 129,924	$ 1,145,291

	Year Ended December 31, 2019			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Subscription-based revenue				
Direct revenue from subscriptions	$ 538,136	$ 404,722	$ 50,827	$ 993,685
Professional services	12,141	1,611	437	14,189
Reseller revenue	18,971	3,685	51,225	73,881
Total subscription-based revenue	$ 569,248	$ 410,018	$ 102,489	$ 1,081,755
Non-subscription-based revenue				
MDF	$ 6,642	$ 654	$ 1,228	$ 8,524
Premium domains	92	—	17,474	17,566
Domain parking and monetization	722	—	4,711	5,433
Total non-subscription-based revenue	$ 7,456	$ 654	$ 23,413	$ 31,523
Total revenue	$ 576,704	$ 410,672	$ 125,902	$ 1,113,278

Subscription-based revenue is primarily recognized over time, when the services are performed, except for third party products for which the Company acts as an agent. Revenue from third party products for which the Company acts as an agent is recognized at a point in time, when the revenue is earned.

Revenue, classified by the major geographic areas in which the Company’s customers are located, was as follows for the years ended December 31, 2018 and 2019:

	Year Ended December 31, 2018			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Domestic	$ 405,928	$ 376,974	$ 50,962	$ 833,864
International	199,387	33,078	78,962	311,427
Total	$ 605,315	$ 410,052	$ 129,924	$ 1,145,291

	Year Ended December 31, 2019			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Domestic	$ 386,072	$ 379,516	$ 47,282	$ 812,870
International	190,632	31,156	78,620	300,408
Total	$ 576,704	$ 410,672	$ 125,902	$ 1,113,278

15. Redeemable Non-Controlling Interest

On January 6, 2016, the Company acquired a controlling interest in WZ UK. In connection with this acquisition, the Company recorded redeemable NCI of $10.8 million. In accordance with ASC 480-10-S99, *Accounting for Redeemable Equity Securities,* the difference between the $10.8 million fair value of the redeemable NCI and the $30 million value that was expected to be paid upon exercise of the put option was being accreted over the option period. Adjustments to the carrying amount of the redeemable non-controlling interest were charged to additional paid-in capital.

Throughout the balance of fiscal year 2016, the Company acquired additional equity interests in WZ UK for an aggregate price of $33.4 million, which increased the Company's ownership from 57.5% to 86.4%. As part of the agreement to acquire these additional interests, the Company agreed to acquire the remaining 13.6% of WZ UK for $25.0 million, under certain circumstances. Based on the Company's fair value measurement of the NCI using market multiples and discounted cash flows, the Company determined that the estimated fair value of the non-controlling interest was below the expected redemption amount of $25.0 million, which resulted in $14.2 million of excess accretion that reduced income available to common shareholders for the period starting on the date of the restructuring through the redemption date of July 1, 2017. The Company recognized excess accretion of $6.8 million and $7.2 million during the years ended December 31, 2016 and 2017, respectively, which is reflected in net loss attributable to accretion of non-controlling interest in the Company's consolidated statements of operations and comprehensive income (loss). On July 7, 2017, the Company redeemed the remaining redeemable non-controlling interest for $25.0 million.

16. Income Taxes

The following table presents domestic and foreign components of (loss) income before income taxes for the periods presented:

	Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
United States	$ (117,715)	$ (52,029)	$ 2,773
Foreign	540	50,584	2,759
Total (loss) income before income taxes	$ (117,175)	$ (1,445)	$ 5,532

The components of the (benefit) provision for income taxes consisted of the following:

	Year Ended December 31,		
	2017	2018	2019
Current:	(in thousands)		
U.S. federal	$ 319	$ (4,000)	$ 1,409
State	2,610	2,772	2,776
Foreign	2,597	5,420	3,025
Total current provision	5,526	4,192	7,210
Deferred:			
U.S. federal	(36,854)	(4,671)	10,505
State	(3,243)	236	(913)
Foreign	9,377	10,435	(1,848)
Change in valuation allowance	7,913	(16,438)	2,925
Total deferred (benefit) provision	(22,807)	(10,438)	10,669
Total (benefit) provision	$ (17,281)	$ (6,246)	$ 17,879

The income tax expense for the year ended December 31, 2019 was primarily attributable to a $10.6 million federal and state deferred tax expense, a foreign deferred tax expense of $0.1 million, a federal and state current income tax expense of $4.2 million, and foreign current tax expense of $3.0 million. This aggregate tax expense of $17.9 million includes $1.4 million of reserves provided for unrecognized tax benefits.

The income tax benefit for the year ended December 31, 2018 was primarily attributable to a $9.6 million federal and state deferred tax benefit, a foreign deferred tax benefit of $0.8 million, and a federal and state current income tax benefit of $1.3 million, offset by foreign current tax expense of $5.4 million. This aggregate tax benefit of $6.2 million includes $2.2 million of reserves provided for unrecognized tax benefits.

The income tax benefit for the year ended December 31, 2017 was primarily attributable to a federal and state deferred tax benefit of $21.8 million (which includes a $16.9 million tax benefit pertaining to the federal tax rate change as a result of the Tax Cut and Jobs Act of 2017 and the identification and recognition of $1.2 million of U.S. federal and state tax credits) and a foreign deferred tax benefit of $1.0 million, offset by a provision for federal and state current income taxes of $2.9 million and foreign current tax expense of $2.6 million. This aggregate tax benefit of $17.3 million includes $1.1 million of reserves provided for unrecognized tax benefits.

The following table presents a reconciliation of the Company's income tax (benefit) expense based on statutory income tax rates and the actual income tax (benefit) expense, for the periods presented:

	Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
U.S. federal taxes at statutory rate	$ (40,973)	$ (303)	$ 582
State income taxes, net of federal benefit	(749)	265	1,981
Non-deductible stock-based compensation	9,265	3,906	8,358
Goodwill related	—	—	4,242
Non-deductible transaction costs	—	1,538	—
Non-taxable loss on redemption of equity interest	—	9,230	—
Credits	(1,247)	(5,659)	(4,484)
Foreign rate differential	(1,404)	369	(484)
Change in valuation allowance—U.S.	18,777	(5,199)	985
Change in valuation allowance—foreign	(10,864)	(11,239)	1,940
Rate change	(8,809)	694	30
Foreign attribute - write-off	9,261	—	—
Uncertain tax positions	1,129	2,195	1,367
Permanent differences and other	8,333	(2,043)	3,362
Total (benefit) expense	$ (17,281)	$ (6,246)	$ 17,879

The (benefit) expense for income taxes shown on the consolidated statements of operations and other comprehensive income (loss) differs considerably from amounts that would result from applying the statutory tax rates to income before taxes primarily because of U.S. net operating losses historically incurred, which offset federal income taxes, but do not fully offset state or foreign income taxes. In addition, acquisitions and the recent changes in U.S. tax law that limit the deductibility of interest expenses have impacted the calculation of deferred tax liabilities and created variability in deferred income tax benefit from period to period. Lastly, the Company provides a valuation allowance against most of its deferred tax assets, which prevents recognition of certain deferred tax assets and results in further variability in deferred income tax benefit from period to period.

The significant components of the Company's deferred income tax assets and liabilities are as follows:

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	As of December 31,	
	2018	2019
	(in thousands)	
Deferred income tax assets:		
Net operating loss carry-forward	$ 39,765	$ 15,806
Credit carry-forward	33,526	37,373
Interest expense limitation carry-forward	14,711	28,131
Deferred compensation	179	134
Deferred revenue	3,752	—
Other reserves	2,549	—
Stock-based compensation	11,673	7,891
Operating lease	—	23,812
Other, net	977	—
Total deferred income tax assets	107,132	113,147
Deferred income tax liabilities:		
Purchased intangible assets	(29,855)	(11,049)
Goodwill	(35,400)	(43,075)
Property and equipment	(11,183)	(12,000)
Operating lease	—	(21,729)
Deferred revenue	—	(553)
Other reserves	—	(736)
Other	—	(962)
Total deferred income tax liabilities	(76,438)	(90,104)
Valuation allowance	(47,151)	(50,076)
Net deferred income tax liabilities	$ (16,457)	$ (27,033)

The Company regularly assesses its ability to realize its deferred tax assets. Assessing the realization of deferred tax assets requires significant management judgment. In determining whether its deferred tax assets are more likely than not realizable, the Company evaluated all available positive and negative evidence, and weighted the evidence based on its objectivity. Evidence the Company considered included:

- Net Operating Losses ("NOL") incurred from the Company's inception to December 31, 2019
- Expiration of various federal and state tax attributes
- Reversals of existing temporary differences
- Composition and cumulative amounts of existing temporary differences, and
- Forecasted profit before tax

The Company assessed its ability to realize its U.S. deferred tax assets as of December 31, 2019 and determined that it was more likely than not that the Company would not realize $44.1 million of net deferred tax assets. The Company assessed its ability to realize its foreign deferred tax assets as of December 31, 2019 and determined that it was more likely than not that the Company would not realize $6.0 million of net deferred tax assets, of which $3.5 million is in the Netherlands, $1.5 million in Brazil, and $1.0 million in various other foreign jurisdictions.

As of December 31, 2019, the Company recorded the following tax attributes available to be carried forward:

Jurisdiction	Amount	Year Loss Carry-forwards Expire
	(in millions)	
Domestic		
Federal	$ 26.9	2037
State	78.0	various dates through 2039
Foreign		
China	0.9	2021
Brazil	4.4	indefinite
Netherlands	12.4	2022
India	0.6	2022
Singapore	0.4	indefinite
Total NOL carry-forwards	$ 123.6	
Domestic		
Federal	$ 25.2	2034
State	15.5	various dates
Total tax credit carry-forwards	$ 40.7	
Total tax attributes available	$ 164.3	

Due to provisions of the Tax Cuts and Jobs Act of 2017, the Company has a carry-forward of disallowed interest expense of $114.9 million, which has an indefinite carry-forward period.

Utilization of the NOL carry-forwards may be subject to an annual limitation due to the ownership percentage change limitations under Section 382 of the Internal Revenue Code ("Section 382 limitation"). Ownership changes can limit the amount of net operating loss and other tax attributes that a company can use each year to offset future taxable income and taxes payable. In connection with a change in control in 2011, the Company was subject to Section 382 annual limitation of $77.1 million, which was in excess of the actual NOLs available. Therefore, these NOLs were not impacted by this limitation. The Company performed additional Section 382 analysis following its IPO during the year ended December 31, 2013, and after additional offerings of its common stock during the years ended December 31, 2014 and 2015, and determined that no additional Section 382 limitations applied. The acquisition of Constant Contact during the year ended December 31, 2016 was considered a change of control under Section 382 for Constant Contact, however, the amount of the limitation exceeded the amount of NOLs and other tax attributes available at the time of the acquisition, therefore, these NOLs and tax attributes were not adversely impacted by these limitations. As a result, all unused NOL carry-forwards at December 31, 2019 are available for future use to offset taxable income.

The Company recognizes, in its consolidated financial statements, the effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company has unrecognized tax benefits for uncertain tax positions of $4.4 million and $4.7 million at December 31, 2018 and 2019, respectively, that would affect its effective tax rate. The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expense. The Company recognized $0.1 million, $0.4 million and $0.5 million in interest and penalties related to unrecognized tax benefits during the years ended December 31, 2017, 2018 and 2019, respectively.

The Company does not expect a significant change in the liability for unrecognized tax benefits in the next 12 months.

The following table presents a reconciliation of the total amounts of unrecognized tax benefits:

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Unrecognized tax benefits at the beginning of the year	$ —	$ 1,129	$ 4,381
Additions for tax positions of prior years	734	887	493
Reductions for tax positions of prior years	—	$ —	(1,057)
Additions for tax positions of current year	395	2,365	881
Statute of limitation	—	—	(7)
Unrecognized tax benefits at the end of the year	$ 1,129	$ 4,381	$ 4,691

The Company conducts business globally and, as a result, its subsidiaries file income tax returns in U.S. federal and state jurisdictions and various foreign jurisdictions. In the normal course of business, the Company may be subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, India, the United Kingdom, the Netherlands and the United States.

In the normal course of business, the Company is subject to examination by tax authorities throughout the world. Since the Company is in a loss carry-forward position, the Company is generally subject to U.S. federal and state income tax examinations by tax authorities for all years for which a loss carry-forward is utilized. The Company's Constant Contact subsidiary was under an Internal Revenue Service audit in the United States for the periods ended December 31, 2015 and February 9, 2016 (short period), which is now concluded. The adjustments resulting from the audit were immaterial. Several of our U.S. subsidiaries are under income tax examinations in various states for tax years 2011 to 2018. Certain of our subsidiaries are under tax audits in India for fiscal years ended March 31, 2015, 2016, 2017 and 2018, and one of our Israel subsidiaries is under audit for the fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017. At this time, the Company does not expect material changes as a result of the audits.

The statute of limitations in the Company’s other tax jurisdictions, in the United Kingdom and Brazil, remains open for various periods between 2014 and the present. However, carry-forward attributes from prior years may still be adjusted upon examination by tax authorities if they are used in an open period.

Tax Cuts and Jobs Act

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, a limitation on the deductibility of interest expenses, a move from a worldwide tax system to a territorial system, as well as other changes. As a result of enactment of the legislation, the Company incurred an additional one-time income tax benefit on the re-measurement of certain deferred tax assets and liabilities in the amount of $16.9 million. The legislation also introduced substantial international tax reform that moves the U.S. toward a territorial system, in which income earned in other countries will generally not be subject to U.S. taxation. The accumulated foreign earnings of U.S. shareholders of certain foreign corporations will be subject to a one-time transition tax. Amounts held in cash or cash equivalents will be subject to a 15.5% tax, while amounts held in illiquid assets will be subject to an eight percent tax. Due to an accumulated deficit in the undistributed earnings of its foreign subsidiaries, the one-time transition tax will not apply to the Company.

Permanent Reinvestment of Foreign Earnings

As of December 31, 2019, the cumulative amount of undistributed earnings of the Company's foreign subsidiaries amounted to $14.8 million. The Company has not provided U.S. taxes on these undistributed earnings of its foreign subsidiaries that it considers indefinitely reinvested. This indefinite reinvestment determination is based on the future operational and capital requirements of the Company's domestic and foreign operations. The Company expects that the cash held by its foreign subsidiaries of $28.9 million will continue to be used for its foreign operations and therefore does not anticipate repatriating these funds.

Included within the Tax Cuts and Jobs Act of 2017 were changes to Subpart F rules and a requirement for taxation of the aggregate net unrepatriated foreign earnings accumulated before January 1, 2018. These changes did not impact the Company in 2017 and the Company does not expect the Subpart F changes to have a material impact in the future. Except for Subpart F income, the Company has not provided taxes for the remaining $14.8 million of undistributed earnings of its profitable foreign subsidiaries because the Company plans to keep these amounts permanently reinvested overseas except for instances where it can remit such earnings to the U.S. without an associated net tax cost. If the Company decides to repatriate the foreign earnings, it would need to adjust its income tax provision in the period it determines that the earnings will no longer be indefinitely invested outside the United States. Due to the timing and circumstances of repatriation of such earnings, if any, it is not practicable to determine the unrecognized deferred tax liability relating to such amounts.

17. Severance and Other Exit Costs

The Company evaluates its data center, sales and marketing, support and engineering operations and the general and administrative function on an ongoing basis in an effort to optimize its cost structure. As a result, the Company may incur charges for employee severance, exiting facilities and restructuring data center commitments and other related costs.

2019 Restructuring Plan

In January 2019, the Company announced plans to eliminate approximately 40 positions located primarily in the southwest United States, and further consolidate a Massachusetts facility, in order to streamline operations and create operational efficiencies (the "2019 Restructuring Plan"). During the year ended December 31, 2019, the Company incurred severance costs of $0.8 million and paid $0.8 million. The Company had a remaining accrued severance liability of $0.0 million at December 31, 2019 in connection with the 2019 Restructuring Plan. The Company completed severance charges related to the 2019 Restructuring Plan during the year ended December 31, 2019.

In connection with the 2019 Restructuring Plan, the Company reduced the amount of space leased for an office in Massachusetts. During the year ended December 31, 2019, the Company incurred facility exit costs of $1.4 million and made payments of $0.2 million. The Company had a remaining facility exit cost accrual of $1.2 million as of December 31, 2019 in connection with the 2019 Restructuring Plan.

2018 Restructuring Plan

In January 2018, the Company announced plans to eliminate approximately 71 positions, later increased to approximately 95 positions, primarily in the Asia Pacific region and to a lesser extent in the U.S., in order to streamline operations and create operational efficiencies (the "2018 Restructuring Plan"). During the year ended December 31, 2019, the Company incurred no additional severance costs and paid $0.2 million. The Company had no remaining accrued severance liability at December 31, 2019 in connection with the 2018 Restructuring Plan.

In connection with the 2018 Restructuring Plan, the Company closed offices in Ohio. During the year ended December 31, 2019, the Company recorded a reduction to facility charges of $0.2 million related to the adoption of ASC 842. The Company made payments of $0.1 million during the year ended December 31, 2019, and had a remaining accrued facility liability of $0.1 million as of December 31, 2019.

2017 Restructuring Plan

In January 2017, the Company announced plans to close certain offices as part of a plan to consolidate certain web presence customer support operations, resulting in severance costs. These severance charges were associated with the elimination of approximately 660 positions, primarily in customer support. Additionally, the Company implemented additional restructuring plans to create operational efficiencies and synergies related to the Constant Contact acquisition, which resulted in additional severance charges for the elimination of approximately 50 positions. For the year ended December 31, 2019, in connection with these plans (together, the “2017 Restructuring Plan”), the Company incurred no additional severance costs and paid $0.2 million. The Company had no remaining accrued severance liability as of December 31, 2019.

In connection with the 2017 Restructuring Plan, the Company closed offices in Orem, Utah and relocated certain employees to its Tempe, Arizona office. The Company completed facility charges related to the 2017 Restructuring Plan during the year ended December 31, 2018. There is no remaining facility liability as of December 31, 2019.

2016 Restructuring Plan

In connection with the Company’s acquisition of Constant Contact on February 9, 2016, the Company implemented a plan to create operational efficiencies and synergies resulting in severance costs and facility exit costs (the “2016 Restructuring Plan”).

The severance charges were associated with eliminating approximately 265 positions across the business. The Company incurred all employee-related charges associated with the 2016 Restructuring Plan during the year ended December 31, 2016 and all severance payments were complete at December 31, 2017. There is no severance accrual remaining as of December 31, 2019.

The 2016 Restructuring Plan included a plan to close offices in San Francisco, California, Delray Beach, Florida, New York, New York, United Kingdom, Porto Alegre, Brazil and Miami, Florida, and a plan to relocate certain employees to its Austin Office. The Company also closed a portion of the Constant Contact offices in Waltham, Massachusetts. During the year ended December 31, 2019, the Company recorded a reduction to facility charges of $0.2 million and a reduction of $1.3 million related to the adoption of ASC 842. The Company paid $1.5 million of facility costs related to the 2016 Restructuring Plan during the year ended December 31, 2019 and had a remaining accrued facility liability of $1.0 million as of December 31, 2019.

The Company expects to complete facility exit cost payments related to the 2016 Restructuring Plan during the year ended December 31, 2022.

The following table provides a summary of the aggregate activity for the year ended December 31, 2019 related to the Company's combined severance accrual for the 2019, 2018, 2017 and 2016 Restructuring Plans (together, the "Restructuring Plans"):

	Employee Severance
	(in thousands)
Balance at December 31, 2018	$ 393
Severance charges	785
Cash paid	(1,134)
Balance at December 31, 2019	$ 44

The following table provides a summary of the aggregate activity for the year ended December 31, 2019 related to the Company's combined Restructuring Plans facilities exit accrual:

	Facilities
	(in thousands)
Balance at December 31, 2018	$ 4,100
Facility charges	1,207
Adjustment for adoption of ASC 842	(1,417)
Sublease income	315
Cash paid	(1,836)
Balance at December 31, 2019	$ 2,369

The following table presents restructuring charges recorded in the consolidated statements of operations and comprehensive income (loss) for the periods presented:

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Cost of revenue	$ 4,100	$ 1,385	$ 1,424
Sales and marketing	3,586	110	239
Engineering and development	1,469	348	445
General and administrative	6,655	1,525	(116)
Total restructuring charges	$ 15,810	$ 3,368	$ 1,992

18. Commitments and Contingencies

Total net rent expense incurred under non-cancellable operating leases for the years ended December 31, 2017, 2018 and 2019, were $22.1 million, $20.8 million and $20.4 million, respectively. Total sublease income for the years ended December 31, 2017, 2018 and 2019 was $0.5 million, $1.0 million and $1.4 million, respectively.

Contingencies

From time to time, the Company is involved in legal proceedings or subject to claims arising in the ordinary course of its business. The Company is not presently involved in any such legal proceeding or subject to any such claim that, in the opinion of its management, would have a material adverse effect on its business, operating results or financial condition. However, the results of such legal proceedings or claims cannot be predicted with certainty, and regardless of the outcome, can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

As previously disclosed, the Company was named as a defendant in two shareholder litigation matters, which are discussed below.

Endurance

On May 4, 2015, Christopher Machado, a purported holder of the Company's common stock, filed a civil action in the United States District Court for the District of Massachusetts against the Company and its former chief executive officer and former chief financial officer, captioned Machado v. Endurance International Group Holdings, Inc., et al., Civil Action No. 1:15-cv-11775-GAO. The plaintiff filed an amended complaint on December 8, 2015, a second amended complaint on March 18, 2016, and a third amended complaint on June 30, 2017. In the third amended complaint, plaintiffs Christopher Machado and Michael Rubin alleged claims for violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, on behalf of a purported class of purchasers of the Company's securities between October 25, 2013 and December 16, 2015, including persons or entities who purchased or acquired the Company's shares pursuant or traceable to the registration statement and prospectus issued in connection with the Company's October 25, 2013 initial public offering. The plaintiffs challenged as false or misleading certain of the Company's disclosures about the total number of subscribers, average revenue per subscriber, the number of customers paying over $500 per year for the Company's products and services, and the average number of products sold per subscriber. The parties subsequently agreed to settle the matter on a class wide basis. On September 13, 2019, the court certified a settlement class and approved the settlement. The period in which a settlement class member could appeal that order lapsed without any class members filing an appeal, and the court's order is now final. The Company's contribution to the settlement pool was equal to the $5.8 million it reserved for this matter during the year ended December 31, 2018.

Constant Contact

On February 9, 2016, the Company acquired all of the outstanding shares of common stock of Constant Contact.

On August 7, 2015, a purported class action lawsuit, William McGee v. Constant Contact, Inc., et al., was filed in the United States District Court for the District of Massachusetts against Constant Contact and two of its former officers. An amended complaint, which named an additional former officer as a defendant, was filed December 19, 2016. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Exchange Act, and is premised on allegedly false and/or misleading statements, and non-disclosure of material facts, regarding Constant Contact's business, operations, prospects and performance during the proposed class period of October 23, 2014 to July 23, 2015. The parties mediated the claims on March 27, 2018, and as a result of that mediation reached an agreement in principle with the lead plaintiff to settle the action. The parties then negotiated the terms and conditions of a stipulation and agreement of settlement and related papers, which, among other things, provide for the release of all claims asserted against Constant Contact and its former officers. On May 18, 2018, the plaintiffs filed an unopposed motion seeking preliminary approval of the proposed settlement, certification of the proposed settlement class for settlement purposes only, and approval of notice to the settlement class. On November 26, 2019, the court entered an order preliminarily approving the settlement and scheduling a hearing for May 27, 2020 at which the court will determine whether the proposed settlement is fair, reasonable and adequate and whether the case should therefore be dismissed with prejudice. The Company's contribution to the settlement pool under the proposed settlement would be equal to the $1.5 million it reserved for this matter during the year ended December 31, 2018. The Company cannot make any assurances as to whether or when the McGee settlement will be approved by the court and the Company cannot assess the ultimate outcome of this matter or an estimate of any probable losses or any reasonably possible losses (other than the reserve specifically discussed above) at this time.

19. Employee Benefit Plans

The Company has a defined contribution plan established under Section 401(k) of the Internal Revenue Code (the "401 (k) Plan"), which covers substantially all employees. Employees are eligible to participate in the 401(k) Plan beginning on the first day of the month following commencement of their employment. The 401(k) Plan includes a salary deferral arrangement pursuant to which participants may elect to reduce their current compensation by up to the statutorily prescribed limit, equal to $19,000 in 2019, and have the amount of the reduction contributed to the 401(k) Plan. Beginning January 1, 2013, the Company matched 100% of each participant's annual contribution to the 401(k) plan up to 3% of the participant's salary and then 50% of each participant's contribution up to 2% of each participant's salary. The match immediately vests 100%. Matching contributions by the Company to the 401(k) Plan related to the 2017, 2018, and 2019 plan years were approximately $6.3 million, $5.9 million, and $7.3 million respectively.

20. Related Party Transactions

The Company has various agreements in place with related parties. Below are details of related party transactions that occurred during the years ended December 31, 2017, 2018 and 2019.

Tregaron:

The Company has contracts with Tregaron India Holdings, LLC and its affiliates, including Diya Systems (Mangalore) Private Limited, Glowtouch Technologies Pvt. Ltd. and Touchweb Designs, LLC, (collectively, "Tregaron"), for outsourced services, including email- and chat-based customer and technical support, network monitoring, engineering and development support, web design and web building services, and an office space lease. As of December 31, 2017 and 2018, these entities were owned directly or indirectly by family members of the Company's former chief executive officer, who was also a holder of more than 5.0% of the Company's capital stock during fiscal year 2017 and the majority of fiscal year 2018. During the last quarter of fiscal year 2018, the former chief executive officer divested shares of the Company's capital stock, reducing his ownership to under 5%. As a result, Tregaron is not a related party as of January 1, 2019 and, therefore, no related party transactions are reported with Tregaron for the year ended December 31, 2019.

The following table presents amounts of related party transactions recorded in the consolidated statements of operations and comprehensive income (loss) for years presented relating to services provided by Tregaron and its affiliates under these agreements for the periods in 2017 and 2018, during which Treragon was a related party:

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Cost of revenue	$ 12,100	$ 14,255	$ —
Sales and marketing	1,200	755	—
Engineering and development	1,300	1,260	—
General and administrative	200	115	—
Total related party transaction expense	$ 14,800	$ 16,385	$ —

As of December 31, 2018, approximately $2.4 million was included in accounts payable and accrued expenses relating to services provided by Tregaron.

Innovative Business Services, LLC and SiteLock, LLC:

The Company also has an agreement with SiteLock, LLC ("SiteLock"), a subsidiary of Innovative Business Services, LLC, which provides multi-layered third-party security and website performance applications that are sold by the Company. During the year ended December 31, 2019, a director of the Company continued to hold a material financial interest in IBS.

The Company records revenue on the sale of SiteLock products on a net basis, since the Company views SiteLock as the primary obligor to deliver these services. As a result, the revenue share paid by the Company to SiteLock is recorded as contra-revenue. Further, SiteLock pays the Company a fee on sales made by SiteLock directly to customers of the Company. The Company records these fees as revenue.

The following table presents the amounts of related party transactions recorded in the consolidated statements of operations and comprehensive income (loss) for the periods presented relating to the Company's agreement with SiteLock:

	For the Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
Revenue	$ (4,250)	$ (5,450)	$ (5,220)
Revenue (contra)	7,850	7,965	6,410
Total related party transaction impact to revenue	$ 3,600	$ 2,515	$ 1,190
Cost of revenue	675	640	590
Total related party transaction expense, net	$ 4,275	$ 3,155	$ 1,780

As of December 31, 2018 and 2019, approximately $0.2 million and $0.0 million, respectively, was included in prepaid expenses and other current assets relating to the Company's agreement with SiteLock.

As of December 31, 2018 and 2019, approximately $0.6 million and $0.4 million, respectively was included in accounts payable and accrued expenses relating to the Company's agreement with SiteLock.

As of December 31, 2018 and 2019, approximately $0.9 million and $0.3 million, respectively, was included in accounts receivable relating to the Company's agreement with SiteLock.

Goldman, Sachs & Co.:

Goldman Sachs Lending Partners LLC, a subsidiary of Goldman, was one of the joint bookrunners and joint lead arrangers for the refinancing of the Company's Term Loan in June 2018. In that capacity, Goldman Sachs Lending Partners LLC received an arrangement fee of $0.3 million and was reimbursed for an immaterial amount of expenses.

21. Segment Information

The Company has three reportable segments: web presence, email marketing and domain. The products and services included in each of the three reportable segments are as follows:

Web Presence. The web presence segment consists primarily of the Company's web hosting brands, including Bluehost and HostGator. This segment also includes related products such as domain names, website security, website design tools and services, and e-commerce products.

Email Marketing. The email marketing segment consists of Constant Contact email marketing tools and related products. This segment also generates revenue from sales of the Company's Constant Contact-branded website builder tool and Ecomdash inventory management and marketplace listing solution, or Ecomdash, which was acquired in the third quarter of 2019. For most of 2019, the email marketing segment also included the SinglePlatform digital storefront business, which was sold on December 5, 2019.

Domain. The domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to the web presence segment.

The Company measures profitability of these segments based on revenue, gross profit, and adjusted EBITDA. The Company's segments share certain resources, primarily related to sales and marketing, engineering and development, and general and administrative functions. Management allocates these costs to each respective segment based on a consistently applied methodology, primarily based on a percentage of revenue.

The CODM does not use asset information to allocate resources or make operating decisions.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies. Refer to Note 2*, Summary of Significant Accounting Policies*, for further details. The following tables contain financial information for each reportable segment for the years ended December 31, 2017, 2018 and 2019:

	Year Ended December 31, 2017			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 641,993	$ 401,250	$ 133,624	$ 1,176,867
Gross profit	305,588	254,941	12,408	572,937
Net loss	$ (64,962)	$ (10,615)	$ (24,207)	$ (99,784)
Interest expense, net[2]	67,491	86,914	2,001	156,406
Income tax expense (benefit)	4,063	5,152	(26,496)	(17,281)
Depreciation	37,634	13,912	3,639	55,185
Amortization of other intangible assets	60,277	74,467	5,610	140,354
Stock-based compensation	46,641	6,934	6,426	60,001
Restructuring expenses	9,131	5,581	1,098	15,810
Transaction expenses and charges	—	773	—	773
Gain of unconsolidated entities[3]	(110)	—	—	(110)
Impairment of goodwill and other long-lived assets[4]	600	—	30,860	31,460
SEC investigations reserve	4,323	2,751	926	8,000
Shareholder litigations reserve	—	—	—	—
Adjusted EBITDA	$ 165,088	$ 185,869	$ (143)	$ 350,814

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	Year Ended December 31, 2018			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 605,315	$ 410,052	$ 129,924	$ 1,145,291
Gross profit	297,590	288,023	38,941	624,554
Net (loss) income	$ (22,534)	$ 38,628	$ (11,560)	$ 4,534
Interest expense, net[2]	70,956	68,317	9,118	148,391
Income tax (benefit) expense	(4,961)	115	(1,400)	(6,246)
Depreciation	32,915	11,497	3,795	48,207
Amortization of other intangible assets	47,020	53,100	3,028	103,148
Stock-based compensation	16,000	9,638	3,426	29,064
Restructuring expenses	2,135	589	644	3,368
Transaction expenses and charges	—	—	—	—
Loss of unconsolidated entities[3]	267	—	—	267
Impairment of goodwill and other long-lived assets[4]	—	—	—	—
SEC investigations reserve	—	—	—	—
Shareholder litigation reserve	4,780	1,500	1,045	7,325
Adjusted EBITDA	$ 146,578	$ 183,384	$ 8,096	$ 338,058

	Year Ended December 31, 2019			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 576,704	$ 410,672	$ 125,902	$ 1,113,278
Gross profit	293,679	295,068	14,235	602,982
Net (loss) income	$ (44,886)	$ 67,412	$ (34,873)	$ (12,347)
Interest expense, net[2]	66,779	72,826	3,849	143,454
Income tax expense	9,261	6,600	2,018	17,879
Depreciation	32,344	9,027	3,580	44,951
Amortization of other intangible assets	36,906	45,876	2,401	85,183
Stock-based compensation	19,086	12,307	4,299	35,692
Restructuring expenses	752	1,207	33	1,992
Transaction expenses and charges	—	—	—	—
Gain on sale of business	—	(40,700)	—	(40,700)
Gain of unconsolidated entities[3]	—	—	—	—
Impairment of goodwill and other long-lived assets[4]	12,333	—	25,207	37,540
SEC investigations reserve	—	—	—	—
Shareholder litigation reserve	—	—	—	—
Adjusted EBITDA	$ 132,575	$ 174,555	$ 6,514	$ 313,644

(1) Revenue excludes intercompany sales of domain names and domain services from the domain segment to the web presence segment of \$10.3 million, \$10.0 million and \$9.8 million, for fiscal years 2017, 2018 and 2019, respectively.

(2) Interest expense includes impact of amortization of deferred financing costs, original issue discounts and interest income. For the years ended December 31, 2017 and 2018, it also includes \$6.5 million and \$1.2 million, respectively, of deferred financing costs and OID immediately expensed upon the 2017 and 2018 term loan refinancings.

(3) The (gain) loss of unconsolidated entities is reported on a net basis for the years ended December 31, 2017 and 2018.

(4) The impairment of goodwill and other long-lived assets for the year ended December 31, 2017 includes \$13.8 million related to certain domain name intangible assets, \$0.6 million to write off a debt investment in a privately held entity, \$12.1 million related to

impairment of goodwill associated with the domain segment, and $4.9 million related to developed technology and customer relationships associated with the Directi acquisition. The impairment of goodwill and other long-lived assets for the year ended December 31, 2019 includes $12.3 million of goodwill impairment relating to two non-strategic reporting units in the web presence segment and $25.2 million related to premium domain name intangible assets acquired in 2014, which was recorded in cost of revenue in the consolidated statements of comprehensive income (loss).

22. Geographic and Other Information

Revenue, classified by the major geographic areas in which the Company's customers are located, was as follows:

	Year Ended December 31,		
	2017	2018	2019
	(in thousands)		
United States	$ 845,305	$ 833,864	$ 812,870
International	331,562	311,427	300,408
Total	$ 1,176,867	$ 1,145,291	$ 1,113,278

The following table presents the amount of tangible long-lived assets by geographic area:

	Year Ended December 31,	
	2018	2019
	(in thousands)	
United States	$ 87,301	$ 80,967
International	4,974	4,958
Total	$ 92,275	$ 85,925

The Company's revenue is generated primarily from products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing, email marketing and other similar services. The Company also generates non-subscription revenue through domain monetization and marketing development funds. Non-subscription revenue decreased from $39.4 million, or 3% of total revenue, for the year ended December 31, 2017 to $35.1 million, or 3% of total revenue, for the year ended December 31, 2018, and decreased to $31.5 million, or 3% of total revenue for the year ended December 31, 2019. The majority of the Company's non-subscription revenue is included in its domain segment.

No individual international country represented more than 10% of total revenue in any period presented. Furthermore, substantially all of the Company's tangible long-lived assets are located in the United States.

23. Quarterly Financial Data (unaudited)

The following table presents the Company's unaudited quarterly financial data:

	For the three months ended							
	March 31, 2018	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018	March 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019
	(in thousands, except per share data)							
Revenue	$ 291,356	$ 287,770	$ 283,770	$ 282,395	$ 280,683	$ 278,204	$ 277,193	$ 277,198
Gross profit	157,450	157,024	154,825	155,255	156,829	138,617	156,438	151,098
Income from operations	31,402	37,775	42,618	35,151	35,154	16,655	38,729	58,448
Net (loss) income attributable to Endurance International Group Holdings, Inc.(1)	$ (2,528)	$ 627	$ (6,335)	$ 12,770	$ (3,488)	$ (26,228)	$ 7,816	$ 9,553
Basic net (loss) income per share attributable to Endurance International Group Holdings, Inc.	$ (0.02)	$ 0.00	$ (0.04)	$ 0.09	$ (0.02)	$ (0.18)	$ 0.05	$ 0.07
Diluted net (loss) income per share attributable to Endurance International Group Holdings, Inc.	$ (0.02)	$ 0.00	$ (0.04)	$ 0.09	$ (0.02)	$ (0.18)	$ 0.05	$ 0.07

During the three months ended June 30, 2019, the Company recognized an impairment charge of $17.9 million relating to the long-lived intangible assets of its premium domain business, which was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss).

During the three months ended December 31, 2019, the Company disposed of its SinglePlatform reporting unit for a net gain of $40.7 million, which was recorded as an operating expense in the consolidated statements of operations and other comprehensive income (loss). During the same quarter, the Company recognized an aggregate charge for goodwill impairment of $12.3 million, which related to two of its non-strategic reporting units and which was recorded as an operating expense in the consolidated statements of operations and comprehensive income (loss), and an impairment charge of $7.3 million relating to the long-lived intangible assets of its premium domain business, which was recorded in cost of revenue in the consolidated statements of operations and comprehensive income (loss).

24. Supplemental Guarantor Financial Information

In February 2016, EIG Investors Corp., a wholly-owned subsidiary of the Company (the “Issuer”), issued $350.0 million aggregate principal amount of its 10.875% Senior Notes due 2024 (refer to *Note 10, Notes Payable,* for further details), which it exchanged for new 10.875% Senior Notes due 2024 pursuant to a registration statement on Form S-4. The registered exchange offer for the Senior Notes was completed on January 30, 2017. The Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and the Issuer, and the following wholly-owned subsidiaries: The Endurance International Group, Inc., Bluehost Inc., FastDomain Inc., Domain Name Holding Company, Inc., Endurance International Group – West, Inc., HostGator.com LLC, A Small Orange, LLC, and Constant Contact, Inc. (collectively, the “Subsidiary Guarantors”), subject to certain customary guarantor release conditions. The Company’s other domestic subsidiaries and its foreign subsidiaries (collectively, the “Non-Guarantor Subsidiaries”) have not guaranteed the Senior Notes.

SinglePlatform, LLC ceased being a Subsidiary Guarantor on December 5, 2019 due to the Company's sale of the SinglePlatform business, including SinglePlatform, LLC. P.D.R Solutions (U.S.) LLC became a Subsidiary Guarantor on April 25, 2019. The condensed consolidated financial statements have been revised for all periods presented to reflect these changes.

The following tables present supplemental condensed consolidating balance sheet information of the Company (“Parent”), the Issuer, the Subsidiary Guarantors and the Non-Guarantor Subsidiaries as of December 31, 2018 and December 31, 2019, and supplemental condensed consolidating results of operations and cash flow information for the years ended December 31, 2017, 2018 and 2019:

Condensed Consolidating Balance Sheets
December 31, 2018
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash and cash equivalents	$ 21	$ 2	$ 62,495	$ 26,126	$ —	$ 88,644
Restricted cash	—	—	1,932	—	—	1,932
Accounts receivable	—	—	11,219	986	—	12,205
Prepaid domain name registry fees	—	—	50,325	6,454	—	56,779
Prepaid commissions	—	—	40,804	654	—	41,458
Prepaid expenses & other current assets	—	422	31,425	3,243	—	35,090
Total current assets	21	424	198,200	37,463	—	236,108
Intercompany receivables, net	34,595	401,342	(323,200)	(112,737)	—	—
Property and equipment, net	—	—	79,091	13,184	—	92,275
Goodwill	—	—	1,695,451	153,614	—	1,849,065
Other intangible assets, net	—	—	351,920	596	—	352,516
Investment in subsidiaries	139,838	1,559,256	57,749	—	(1,756,843)	—
Prepaid commissions, net of current portion	—	—	41,746	726	—	42,472
Other assets	—	5,239	27,463	1,369	—	34,071
Total assets	$ 174,454	$ 1,966,261	$ 2,128,420	$ 94,215	$ (1,756,843)	$ 2,606,507
Liabilities and stockholders' equity						
Current liabilities:						
Accounts payable	$ —	$ —	$ 12,015	$ 434	—	$ 12,449
Accrued expenses and other current liabilities	—	25,373	77,316	7,494	—	110,183
Deferred revenue	—	—	347,703	24,055	—	371,758
Current portion of notes payable	—	31,606	—	—	—	31,606
Current portion of financed equipment	—	—	8,379	—	—	8,379
Deferred consideration, short-term	—	—	2,425	—	—	2,425
Total current liabilities	—	56,979	447,838	31,983	—	536,800
Deferred revenue, long-term	—	—	91,615	4,525	—	96,140
Notes payable	—	1,770,055	—	—	—	1,770,055
Financed equipment—long term	—	—	—	—	—	—
Deferred consideration	—	—	1,364	—	—	1,364
Other long-term liabilities	—	(612)	28,349	(43)	—	27,694
Total liabilities	—	1,826,422	569,166	36,465	—	2,432,053
Equity	174,454	139,839	1,559,254	57,750	(1,756,843)	174,454
Total liabilities and equity	$ 174,454	$ 1,966,261	$ 2,128,420	$ 94,215	$ (1,756,843)	$ 2,606,507

Condensed Consolidating Balance Sheets
December 31, 2019
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash and cash equivalents	$ 195	$ 1	$ 80,642	$ 30,427	$ —	$ 111,265
Restricted cash	—	—	1,732	—	—	1,732
Accounts receivable	—	—	8,762	1,462	—	10,224
Prepaid domain name registry fees	—	—	48,943	6,294	—	55,237
Prepaid commissions	—	—	37,910	525	—	38,435
Prepaid expenses & other current assets	—	90	26,847	3,756	—	30,693
Total current assets	195	91	204,836	42,464	—	247,586
Intercompany receivables, net	32,845	172,807	(87,398)	(118,254)	—	—
Property and equipment, net	—	—	72,751	13,174	—	85,925
Operating lease right-of-use assets	—	—	86,111	4,408	—	90,519
Goodwill	—	—	1,677,587	157,723	—	1,835,310
Other intangible assets, net	—	—	243,994	1,008	—	245,002
Investment in subsidiaries	163,934	1,693,565	61,023	—	(1,918,522)	—
Prepaid commissions, net of current portion	—	—	48,289	491	—	48,780
Other assets	—	1,784	27,215	1,965	—	30,964
Total assets	$ 196,974	$ 1,868,247	$ 2,334,408	$ 102,979	$ (1,918,522)	$ 2,584,086
Liabilities and stockholders' equity:						
Current liabilities:						
Accounts payable	$ —	$ —	$ 9,474	$ 580	$ —	$ 10,054
Accrued expenses and other current liabilities	20	23,554	59,695	7,141	—	90,410
Deferred revenue	—	—	345,116	24,359	—	369,475
Operating lease liabilities—short term	—	—	18,513	2,680		21,193
Current portion of notes payable	—	31,606	—	—	—	31,606
Current portion of financed equipment	—	—	790	—	—	790
Deferred consideration, short-term	—	—	2,201	—	—	2,201
Total current liabilities	20	55,160	435,789	34,760	—	525,729
Deferred revenue, long-term	—	—	94,471	5,181	—	99,652
Operating lease liabilities—long term	—	—	76,166	1,985	—	78,151
Notes payable	—	1,649,867	—	—	—	1,649,867
Financed equipment—long term	—	—	—	—	—	—
Deferred consideration	—	—	—	—	—	—
Other long-term liabilities	—	(714)	34,417	30	—	33,733
Total liabilities	20	1,704,313	640,843	41,956	—	2,387,132
Equity	196,954	163,934	1,693,565	61,023	(1,918,522)	196,954
Total liabilities and equity	$ 196,974	$ 1,868,247	$ 2,334,408	$ 102,979	$ (1,918,522)	$ 2,584,086

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Year Ended December 31, 2017
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,080,220	$ 107,385	$ (10,738)	$ 1,176,867
Cost of revenue	—	—	540,965	72,425	(9,460)	603,930
Gross profit	—	—	539,255	34,960	(1,278)	572,937
Operating expense:						
Sales and marketing	—	—	260,516	16,947	(3)	277,460
Engineering and development	—	—	66,113	12,659	—	78,772
General and administrative	—	207	159,251	5,142	(628)	163,972
Transaction expenses	—	—	773	—	—	773
Impairment of goodwill	—	—	12,129	—	—	12,129
Total operating expense	—	207	498,782	34,748	(631)	533,106
(Loss) income from operations	—	(207)	40,473	212	(647)	39,831
Total other expense (income)—net	—	156,144	1,336	(474)	—	157,006
(Loss) income before income taxes and equity earnings of unconsolidated entities	—	(156,351)	39,137	686	(647)	(117,175)
Income tax (benefit) expense	—	(57,504)	39,233	990	—	(17,281)
(Loss) income before equity earnings of unconsolidated entities	—	(98,847)	(96)	(304)	(647)	(99,894)
Net loss (income) attributable to non-controlling interest	106,661	7,814	194	(17)	(114,762)	(110)
Net (loss) income	$ (106,661)	$ (106,661)	$ (290)	$ (287)	$ 114,115	$ (99,784)
Net loss attributable to non-controlling interest	—	—	7,524	—	—	7,524
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (106,661)	$ (106,661)	$ (7,814)	$ (287)	$ 114,115	$ (107,308)
Comprehensive (loss) income:						
Foreign currency translation adjustments	—	—	—	3,091	—	3,091
Unrealized gain on cash flow hedge		34	—	—	—	34
Total comprehensive (loss) income	$ (106,661)	$ (106,627)	$ (7,814)	$ 2,804	$ 114,115	$ (104,183)

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Year Ended December 31, 2018
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,094,463	$ 64,665	$ (13,837)	$ 1,145,291
Cost of revenue	—	—	490,966	43,608	(13,837)	520,737
Gross profit	—	—	603,497	21,057	—	624,554
Operating expense:						
Sales and marketing	—	—	255,272	10,152	—	265,424
Engineering and development	—	—	80,095	7,885	—	87,980
General and administrative	(12)	225	168,560	(44,569)	—	124,204
Transaction expenses	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—
Total operating expense	(12)	225	503,927	(26,532)	—	477,608
Income (loss) from operations	12	(225)	99,570	47,589	—	146,946
Total other expense (income)—net	—	148,411	506	(526)	—	148,391
Income (loss) before income taxes and equity earnings of unconsolidated entities	12	(148,636)	99,064	48,115	—	(1,445)
Income tax (benefit) expense	—	(35,381)	25,253	3,882	—	(6,246)
Income (loss) before equity earnings of unconsolidated entities	12	(113,255)	73,811	44,233	—	4,801
Net (income) loss attributable to non-controlling interest	(4,522)	(117,778)	(43,967)	16	166,518	267
Net income (loss)	$ 4,534	$ 4,523	$ 117,778	$ 44,217	$ (166,518)	$ 4,534
Net income (loss) attributable to non-controlling interest	—	—	—	—	—	—
Net income (loss) attributable to Endurance International Group Holdings, Inc.	$ 4,534	$ 4,523	$ 117,778	$ 44,217	$ (166,518)	$ 4,534
Comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(2,233)	—	(2,233)
Unrealized loss on cash flow hedge		(437)	—	—	—	(437)
Total comprehensive income (loss)	$ 4,534	$ 4,086	$ 117,778	$ 41,984	$ (166,518)	$ 1,864

Form 10-K

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Year Ended December 31, 2019
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,064,510	$ 61,650	$ (12,882)	$ 1,113,278
Cost of revenue	—	—	482,246	40,932	(12,882)	510,296
Gross profit	—	—	582,264	20,718	—	602,982
Operating expense:						
Sales and marketing	—	—	245,817	12,202	—	258,019
Engineering and development	—	—	96,778	9,599	—	106,377
General and administrative	1,628	238	113,983	2,118	—	117,967
Gain on sale of business	—	—	(40,700)	—	—	(40,700)
Transaction expenses	—	—	—	—	—	—
Impairment of goodwill			12,333			12,333
Total operating expense	1,628	238	428,211	23,919	—	453,996
(Loss) income from operations	(1,628)	(238)	154,053	(3,201)	—	148,986
Total other expense (income)—net	—	144,034	(18)	(562)	—	143,454
(Loss) income before income taxes and equity earnings of unconsolidated entities	(1,628)	(144,272)	154,071	(2,639)	—	5,532
Income tax (benefit) expense	—	(34,336)	49,105	3,110	—	17,879
(Loss) income before equity earnings of unconsolidated entities	(1,628)	(109,936)	104,966	(5,749)	—	(12,347)
Equity loss (income) of unconsolidated entities, net of tax	10,719	(99,216)	5,750	—	82,747	—
Net (loss) income	$ (12,347)	$ (10,720)	$ 99,216	$ (5,749)	$ (82,747)	$ (12,347)
Net loss attributable to non-controlling interest	—	—	—	—	—	—
Net (loss) income attributable to Endurance International Group Holdings, Inc.	$ (12,347)	$ (10,720)	$ 99,216	$ (5,749)	$ (82,747)	$ (12,347)
Comprehensive (loss) income:						
Foreign currency translation adjustments	—	—	—	(598)	—	(598)
Unrealized loss on cash flow hedge		(279)	—	—	—	(279)
Total comprehensive (loss) income	$ (12,347)	$ (10,999)	$ 99,216	$ (6,347)	$ (82,747)	$ (13,224)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2017
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 12	$ (82,189)	$ 281,416	$ 2,034	$ —	$ 201,273
Cash flows from investing activities:						
Businesses acquired in purchase transaction, net of cash acquired	—	—	—	—	—	—
Purchases of property and equipment	—	—	(38,731)	(4,331)	—	(43,062)
Cash paid for minority investments	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—
Proceeds from note receivable	—	—	—	—	—	—
Proceeds from sale of assets	—	—	530	—	—	530
Purchases of intangible assets	—	—	(1,933)	(33)	—	(1,966)
Net cash used in investing activities	—	—	(40,134)	(4,364)	—	(44,498)
Cash flows from financing activities:						
Proceeds from issuance of term loan and notes, net of original issue discounts	—	1,693,007	—	—	—	1,693,007
Repayments of term loans	—	(1,797,634)	—	—	—	(1,797,634)
Payment of financing costs	—	(6,304)	—	—	—	(6,304)
Payment of deferred consideration	—	—	(4,550)	(883)	—	(5,433)
Payment of redeemable non-controlling interest liability	—	—	(25,000)	—	—	(25,000)
Principal payments on financed equipment	—	—	(7,390)	—	—	(7,390)
Proceeds from exercise of stock options	2,049	—	—	—	—	2,049
Capital investments from minority partner	—	—	—	—	—	—
Intercompany loans and investments	(1,972)	193,119	(188,367)	(2,780)	—	—
Net cash provided by (used in) financing activities	77	82,188	(225,307)	(3,663)	—	(146,705)
Net effect of exchange rate on cash and cash equivalents and restricted cash	—	—	—	2,150	—	2,150
Net increase (decrease) in cash and cash equivalents and restricted cash	89	(1)	15,975	(3,843)	—	12,220
Cash and cash equivalents and restricted cash:						
Beginning of period	3	4	41,654	15,237	—	56,898
End of period	$ 92	$ 3	$ 57,629	$ 11,394	$ —	$ 69,118

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2018
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ —	$ (103,123)	$ 246,188	$ 39,487	$ —	$ 182,552
Cash flows from investing activities:						
Businesses acquired in purchase transaction, net of cash acquired	—	—	—	—	—	—
Purchases of property and equipment	—	—	(45,694)	(186)	—	(45,880)
Cash paid for minority investments	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—
Proceeds from note receivable	—	—	—	—	—	—
Proceeds from sale of assets	—	—	6	—	—	6
Purchases of intangible assets	—	—	(8)	—	—	(8)
Net cash used in investing activities	—	—	(45,696)	(186)	—	(45,882)
Cash flows from financing activities:						
Proceeds from issuance of term loan and notes, net of original issue discounts	—	1,580,305	—	—	—	1,580,305
Repayments of term loans	—	(1,681,094)	—	—	—	(1,681,094)
Payment of financing costs	—	(1,580)	—	—	—	(1,580)
Payment of deferred consideration	—	—	(4,500)	—	—	(4,500)
Principal payments on financed equipment	—	—	(7,439)	—	—	(7,439)
Proceeds from exercise of stock options	887	—	—	—	—	887
Intercompany loans and investments	(958)	205,491	(181,755)	(22,778)	—	—
Net cash (used in) provided by financing activities	(71)	103,122	(193,694)	(22,778)	—	(113,421)
Net effect of exchange rate on cash and cash equivalents and restricted cash	—	—	—	(1,791)	—	(1,791)
Net (decrease) increase in cash and cash equivalents and restricted cash	(71)	(1)	6,798	14,732	—	21,458
Cash and cash equivalents and restricted cash:						
Beginning of period	92	3	57,629	11,394	—	69,118
End of period	$ 21	$ 2	$ 64,427	$ 26,126	$ —	$ 90,576

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2019
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (1,609)	$ (97,558)	$ 261,442	$ (302)	$ —	$ 161,973
Cash flows from investing activities:						
Businesses acquired in purchase transaction, net of cash acquired	—	—	(8,875)	—	—	(8,875)
Purchases of property and equipment	—	—	(39,126)	—	—	(39,126)
Cash paid for minority investments	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	—	—	—	—
Proceeds from note receivable	—	—	—	—	—	—
Proceeds from sale of assets	—	—	51,000	1	—	51,001
Purchases of intangible assets	—	—	—	—	—	—
Net cash provided by investing activities	—	—	2,999	1	—	3,000
Cash flows from financing activities:						
Proceeds from issuance of term loan and notes, net of original issue discounts	—	—	—	—	—	—
Repayments of term loans	—	(130,980)	—	—	—	(130,980)
Payment of financing costs	—	—	—	—	—	—
Payment of deferred consideration	—	—	(2,500)	—	—	(2,500)
Principal payments on financed equipment	—	—	(8,189)	—	—	(8,189)
Proceeds from exercise of stock options	31	—	—	—	—	31
Intercompany loans and investments	1,752	228,537	(235,805)	5,516	—	—
Net cash provided by (used in) financing activities	1,783	97,557	(246,494)	5,516	—	(141,638)
Net effect of exchange rate on cash and cash equivalents and restricted cash	—	—	—	(914)	—	(914)
Net increase (decrease) in cash and cash equivalents and restricted cash	174	(1)	17,947	4,301	—	22,421
Cash and cash equivalents and restricted cash:						
Beginning of period	21	2	64,427	26,126	—	90,576
End of period	$ 195	$ 1	$ 82,374	$ 30,427	$ —	$ 112,997

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation of our disclosure controls and procedures as of December 31, 2019, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as a process designed by, or under the supervision of our chief executive and chief financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the polices or procedures may deteriorate.

Under the supervision and with the participation of our management, our chief executive officer and chief financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, we used criteria set forth in the 2013 framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.* Based on our assessment, management (including our Chief Executive Officer and Chief Financial Officer) has concluded that as of December 31, 2019, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by BDO USA LLP, an independent registered public accounting firm, as stated in the following report:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Endurance International Group Holdings, Inc.
Burlington, Massachusetts

Opinion on Internal Control over Financial Reporting

We have audited Endurance International Group Holdings, Inc.’s (the “Company’s”) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2018 and 2019, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019 and our report dated February 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Item 9A, Management’s Annual Report on Internal Control over Financial Reporting”. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Boston, Massachusetts
February 14, 2020

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, or ITRA, which added Section 13(r) to the Exchange Act, we are required to disclose in our annual or quarterly reports, as applicable, whether we or any of our affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with certain individuals or entities that are subject to sanctions under U.S. law. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law.

On September 11, 2019, our subsidiary P.D.R Solutions (U.S.) LLC, or PDR, suspended the domain name arabisc-haram.com, or the Domain Name, which was identified on September 10, 2019 by the Office of Foreign Assets Control, or OFAC, as associated with Al Haram Commercial Company, or Al Haram, a Specially Designated National, or SDN, pursuant to 31 C.F.R. Part 594. The Domain Name was registered on November 13, 2017 through a third party domain registrar that uses PDR's platform to sell, register and manage domain names for customers of such third party domain registrar; there was no direct financial transaction between PDR and the registrant of the Domain Name. PDR debited the account of the third party domain registrar a total of USD sixty cents ($0.60) as a fee for such third party domain registrar's use of PDR's platform in connection with the Domain Name, all of which was debited prior to OFAC's designation of Al Haram. PDR reported the Domain Name to OFAC as potentially the property of an SDN subject to blocking pursuant to Executive Order 13224.

On January 24, 2020, our subsidiary MyDomain, LLC ("MyDomain") suspended the domain names FarsNews.com, FarNews.org and FarsNews.net, or the FarNews Domain Names, which are potentially associated with the Government of Iran. MyDomain's records indicate that it collected a total of USD two-hundred sixteen dollars and eighty-four cents ($216.84) for products and services in connection with the subscriber account associated with the FarNews Domain Names since the subscriber account was migrated to our servers on or about August 10, 2012, following our acquisition of MyDomain on July 22, 2011. MyDomain reported the FarNews Domain Names to OFAC as property potentially associated with the Government of Iran subject to blocking pursuant to 31 C.F.R. §560.304.

PART III

ITEM 10. Directors, Executive Officers, and Corporate Governance

The information required by this item is incorporated by reference from the information disclosed under the heading "Management and Corporate Governance" and under the subheading "Delinquent Section 16(a) Reports" in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The text of our Code of Business Conduct and Ethics is posted under Corporate Governance in the Investor Relations section of our website, www.endurance.com. We intend to disclose on our website any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be disclosed pursuant to the disclosure requirements of Item 5.05 of Form 8-K.

ITEM 11. Executive Compensation

The information required by this item is incorporated by reference to the information disclosed under the heading "Executive Compensation" and under the subheading "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information disclosed under the heading "Principal Stockholders" and under the subheading "Equity Compensation Plan Information" in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to the information disclosed under the heading "Related Person Transactions" and under the subheading "Director Independence" in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information disclosed under the proposal "Ratification of Appointment of Independent Registered Public Accounting Firm" in our definitive proxy statement for the 2020 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

For a list of the consolidated financial statements included herein, which are incorporated into this Item by reference, see Index to Consolidated Financial Statements in Part II, Item 8, *Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

Schedules have been omitted since they are either not required or not applicable or the information is otherwise included herein.

(3) Exhibits

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
2.1*	Agreement and Plan of Merger, dated October 30, 2015, by and among Constant Contact, Inc., Endurance International Group Holdings, Inc., and Paintbrush Acquisition Corporation	8-K	001-36131	November 2, 2015	2.1	
2.2*	Asset Purchase Agreement dated September 6, 2019 by and among LTD Software LLC, Endurance Commerce, LLC, Endurance International Group Holdings, LLC, and the Signing Members, as defined therein	8-K	001-36131	September 16, 2019	2.1	
2.3*	Asset Purchase Agreement dated December 5, 2019 by and among Constant Contact, Inc., Endurance International Group Holdings, Inc. and TripAdvisor, LLC	8-K	001-36131	December 5, 2019	2.1	
3.1	Restated Certificate of Incorporation of the Registrant	S-1/A	333-191061	October 23, 2013	3.3	
3.2	Amended and Restated By-Laws of the Registrant	8-K	001-36131	January 30, 2017	3.1	
4.1	Specimen certificate evidencing shares of common stock of the Registrant	S-1/A	333-191061	October 8, 2013	4.1	
4.2	Second Amended and Restated Registration Rights Agreement by and among the Registrant and the other parties thereto	10-Q	001-36131	November 7, 2014	4.2	
4.3	Stockholders Agreement by and among the Registrant and certain holders of the Registrant’s common stock	10-Q	001-36131	November 7, 2014	4.3	
4.4	Indenture (including form of Note), dated as of February 9, 2016, among EIG Investors Corp., the Registrant, the Endurance Guarantors party thereto and Wilmington Trust, National Association, as trustee	8-K	001-36131	February 10, 2016	4.1	
4.5	Exchange and Registration Rights Agreement, dated as of February 9, 2016, among EIG Investors Corp., the Registrant, the Endurance Guarantors party thereto, Goldman, Sachs & Co., Credit Suisse Securities (USA) LLC and Jefferies LLC	10-Q	001-36131	May 9, 2016	4.6	
4.6	Description of Registrant's Securities					X

10.1#	Amended and Restated 2013 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.2
10.2#	Form of Stock Option Agreement under the 2013 Stock Incentive Plan	S-1/A	333-191061	October 8, 2013	10.2
10.3#	Form of Restricted Stock Agreement under the 2013 Stock Incentive Plan	S-1/A	333-191061	October 8, 2013	10.3
10.4#	Form of Director Stock Option Agreement under the 2013 Stock Incentive Plan	S-1/A	333-191061	October 8, 2013	10.29
10.5#	Form of Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan (3 year vesting)	10-Q	001-36131	May 9, 2017	10.1
10.6#	Form of Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan (2 year vesting)	10-Q	001-36131	May 9, 2017	10.2
10.7#	Form of Director Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan	10-Q	001-36131	May 9, 2017	10.3
10.8#	Restricted Stock Unit Agreement between Endurance International Group Holdings, Inc. and Jeffrey H. Fox, dated August 22, 2017	10-Q	001-36131	November 3, 2017	10.3
10.9#	Stock Option Agreement between Endurance International Group Holdings, Inc. and Jeffrey H. Fox, dated August 22, 2017	10-Q	001-36131	November 3, 2017	10.4
10.10#	Form of Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan (3 year vesting, with tax rate option)	10-Q	001-36131	August 2, 2018	10.3
10.11#	Form of Stock Option Agreement under the 2013 Stock Incentive Plan (3 year vesting)	10-Q	001-36131	August 2, 2018	10.4
10.12#	Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan	S-8	333-209680	February 24, 2016	99.1
10.13#	Form of Incentive Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.4
10.14#	Form of Non-Statutory Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.5
10.15#	Form of Restricted Stock Unit Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.6
10.16#	Form of Incentive Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.4
10.17#	Form of Non-Statutory Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.5
10.18#	Form of Restricted Stock Unit Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.6
10.19#	Form of Restricted Stock Unit Agreement (double trigger, 3 year vesting) under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2017	10.4
10.20#	Changes to NEO Target Annual Cash Bonus Percentages	10-Q	001-36131	August 8, 2016	10.7
10.21#	2019 Management Incentive Plan	10-Q	001-36131	May 3, 2019	10.1

10.22#	Employment Agreement, dated as of August 3, 2015, by and between Endurance International Group Holdings, Inc. and Marc Montagner	8-K	001-36131	August 4, 2015	10.1
10.23#	Employment Agreement, dated as of March 7, 2016, by and between the Registrant and David Bryson	10-Q	001-36131	May 9, 2016	10.9
10.24#	Employment Agreement, dated as of March 27, 2017, by and between the Registrant and John Orlando	10-Q	001-36131	May 9, 2017	10.6
10.25#	Employment Agreement, dated as of August 11, 2017, by and between Endurance International Group Holdings, Inc. and Jeffrey H. Fox	8-K	001-36131	August 14, 2017	10.1
10.26#	Employment Agreement, dated as of October 29, 2018, by and between Endurance International Group Holdings, Inc. and Christine Barry	10-K	001-36131	February 21, 2019	10.26
10.27#	Form of Indemnification Agreement entered into between the Registrant and each director and executive officer	S-1/A	333-191061	October 8, 2013	10.19
10.28#	Indemnification Agreement, dated as of August 22, 2017, by and between Endurance International Group Holdings, Inc. and Jeffrey H. Fox	10-Q	001-36131	November 3, 2017	10.2
10.29	Gross Lease, dated May 17, 2012, by and between The Endurance International Group, Inc. and MEPT Burlington, LLC, as amended on June 13, 2013	S-1	333-191061	September 9, 2013	10.5
10.30	Second Amendment to Lease, dated as of March 28, 2014, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-Q	001-36131	May 9, 2014	10.5
10.31	Third Amendment to Lease, dated as of September 24, 2014, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-Q	001-36131	November 7, 2014	10.1
10.32	Fourth Amendment to Lease, dated as of November 14, 2014, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-K	001-36131	February 27, 2015	10.20
10.33	Fifth Amendment to Lease, dated as of January 26, 2017, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-Q	001-36131	May 9, 2017	10.7
10.34	Sixth Amendment to Lease, dated as of September 8, 2017, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-K	001-36131	February 22, 2018	10.50
10.35+	Office Lease, dated January 30, 2015, by and between Papago Buttes Corporate, LLC and The Endurance International Group, Inc., as amended by the First Amendment to Lease dated August 23, 2016 and the Second Amendment to Lease dated January 15, 2017	10-Q	001-36131	May 9, 2017	10.8

10.36+	Collocation/Interconnection License, dated as of May 29, 2007, by and between The Endurance International Group, Inc. and Markley Boston, LLC, as amended on June 1, 2007, August 31, 2008, December 4, 2008, April 30, 2009, February 2011 and February 2, 2012	S-1	333-191061	September 9, 2013	10.7
10.37+	Seventh Amendment to Collocation/ Interconnection License, dated February 23, 2018, by and between Markley Boston, LLC and The Endurance International Group, Inc.	10-Q	001-36131	May 4, 2018	10.2
10.38+	Collocation/Interconnection License, dated as of February 2, 2012, by and between The Endurance International Group, Inc. and One Summer Collocation, LLC, as amended January 4, 2013	S-1	333-191061	September 9, 2013	10.11
10.39+	Second Amendment to Collocation/ Interconnection License, dated February 23, 2018, by and between Markley Boston, LLC (as the succeeding entity, arising out of a merger with One Summer Collection, LLC) and The Endurance International Group, Inc.	10-Q	001-36131	May 4, 2018	10.3
10.40+	Master Service Agreement (United States), dated as of November 28, 2011, by and between The Endurance International Group, Inc. and Equinix Operating Co., Inc., as amended by Replacement Order 110712 and Replacement Order 112014, each effective as of December 2, 2014	10-K	001-36131	February 27, 2015	10.24
10.41+	Replacement Order 1-54210756980 and Replacement Order 1-54216771102, each effective as of August 1, 2016, to the Master Service Agreement (United States), dated as of November 28, 2011, by and between The Endurance International Group, Inc. and Equinix Operating Co., Inc.	10-Q	001-36131	November 4, 2016	10.1
10.42+	Master Service Agreement, dated as of June 20, 2013, by and between HostGator.com LLC and CyrusOne LLC	S-1	333-191061	September 9, 2013	10.26
10.43+	Amendment to Master Services Agreement, dated as of November 30, 2018, by and between HostGator.com LLC and CyrusOne LLC	10-K	001-36131	February 21, 2019	10.43
10.44	Turn Key Datacenter Lease dated as of December 31, 2010 between Digital Alfred, LLC and Constant Contact, Inc., as amended by the First Amendment to Turn Key Datacenter Lease dated as of March 1, 2011 and the Second Amendment to Turnkey Datacenter Lease dated as of December 15, 2011	10-Q	001-36131	May 9, 2016	10.11

10.45	Datacenter Lease dated as of January 1, 2011 between Digital 55 Middlesex, LLC and Constant Contact, Inc., as amended by the First Amendment to Datacenter Lease dated as of May 11, 2012, the 55 Middlesex Turnpike Office Space Rider dated as of May 11, 2012 and the Second Amendment to Datacenter Lease dated February 26, 2016	10-Q	001-36131	May 9, 2016	10.12
10.46	Third Amendment to Datacenter Lease dated as of August 7, 2017 between Digital 55 Middlesex, LLC and Constant Contact, Inc.	10-Q	001-36131	November 3, 2017	10.6
10.47+	Master Services Agreement between Data Foundry, Inc. and HostGator.com LLC dated October 23, 2014, as amended by the Contract Addendum dated October 23, 2014, the Amendment to the Master Services Agreement dated August 21, 2015, the 2nd Amendment to Master Services Agreement dated July 23, 2016, and the Power Amendment to the Master Services Agreement dated October 25, 2016	10-Q	001-36131	August 4, 2017	10.4
10.48+	cPanel Partner NOC Agreement dated as of January 1, 2014 by and between cPanel, Inc. and The Endurance International Group, Inc., as amended by Amendment No. 1 to Partner NOC Agreement dated March 14, 2014, Amendment to Amendment No. 1 to Partner NOC Agreement dated October 1, 2015, and Second Amendment to Partner NOC Agreement dated December 31, 2017	10-K	001-36131	February 22, 2018	10.61
10.49+	Master Services Agreement dated as of September 25, 2013 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC, as amended by Amendment No. 1 dated as of February 7, 2014 and Amendment No. 2 dated as of December 5, 2014	10-K	001-36131	February 24, 2017	10.43
10.50+	Master Services Agreement Amendment No. 3 dated as of December 18, 2017 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC	10-K	001-36131	February 22, 2018	10.63
10.51+	Master Services Agreement Amendment No. 4 dated as of April 19, 2018 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC	10-Q	001-36131	August 2, 2018	10.2
10.52+	Master Services Agreement Amendment No. 5 dated as of January 31, 2019 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC	10-Q	001-36131	May 3, 2019	10.2

10.53	Refinancing Amendment, dated as of November 25, 2013, by and among the refinancing lenders party thereto, the revolving lenders party thereto, the Registrant, EIG Investors Corp., and Credit Suisse AG, as Administrative Agent	10-K	001-36131	February 28, 2014	10.23
10.54	Third Amended and Restated Credit Agreement, dated as of November 25, 2013, by and among the Registrant, EIG Investors Corp., as Borrower, the lenders party thereto, and Credit Suisse AG, as Administrative Agent	10-K	001-36131	February 28, 2014	10.24
10.55	Revolving Facility Amendment to Third Amended and Restated Credit Agreement, dated as of February 9, 2016, among EIG Investors Corp., the Registrant, the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and issuing bank	8-K	001-36131	February 10, 2016	10.1
10.56	Incremental Term Loan Amendment to Third Amended and Restated Credit Agreement, dated as of February 9, 2016, among EIG Investors Corp., the Registrant, the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and issuing bank	8-K	001-36131	February 10, 2016	10.2
10.57	Refinancing Amendment to Third Amended and Restated Credit Agreement, dated as of June 14, 2017, among EIG Investors Corp., Endurance International Group Holdings, Inc., the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent	8-K	001-36131	June 14, 2017	10.1
10.58	Fourth Amendment to Third Amended and Restated Credit Agreement, dated as of June 20, 2018, among Endurance International Group Holdings, Inc., EIG Investors Corp., the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as issuing bank and administrative agent	10-Q	001-36131	August 2, 2018	10.1
10.59	Amended and Restated Collateral Agreement, dated as of November 25, 2013, by and among the Registrant, EIG Investors Corp., the other grantors party thereto, and Credit Suisse AG, as Administrative Agent	10-K	001-36131	February 28, 2014	10.25
10.60	Supplement No. 1 to Amended and Restated Collateral Agreement, dated as of February 9, 2016, by and among the Registrant, EIG Investors Corp., the other guarantors party thereto, and Credit Suisse AG, as Administrative Agent	10-Q	001-36131	May 9, 2016	10.13

10.61	Amended and Restated Master Guarantee Agreement, dated as of November 25, 2013, by and among the Registrant, EIG Investors Corp., the other guarantors party thereto, and Credit Suisse AG, as Administrative Agent	10-K	001-36131	February 28, 2014	10.26	
10.62	Supplement No. 1 to Amended and Restated Master Guarantee Agreement, dated as of February 9, 2016, by and among the Registrant, EIG Investors Corp., the other guarantors party thereto, and Credit Suisse AG, as Administrative Agent	10-Q	001-36131	May 9, 2016	10.14	
21.1	Subsidiaries of the Registrant	10-K	001-36131	February 21, 2019	21.1	
23.1	Consent of BDO USA, LLP, an Independent Registered Public Accounting Firm					X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14 (a)/15d-14(a) of the Securities Exchange Act of 1934, as amended					X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14 (a)/15d-14(a) of the Securities Exchange Act of 1934, as amended					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Endurance agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule or exhibit upon request.

\# Management contract or any compensatory plan, contract or agreement.

\+ Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.

Date: February 14, 2020	By:	/s/ Jeffrey H. Fox
		Jeffrey H. Fox
		Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey H. Fox Jeffrey H. Fox	President, Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2020
/s/ Marc Montagner Marc Montagner	Chief Financial Officer (Principal Financial Officer)	February 14, 2020
/s/ Timothy R. Oakes Timothy R. Oakes	Chief Accounting Officer (Principal Accounting Officer)	February 14, 2020
/s/ James C. Neary James C. Neary	Chairman of the Board	February 14, 2020
/s/ Andrea J. Ayers Andrea J. Ayers	Director	February 14, 2020
/s/ Dale Crandall Dale Crandall	Director	February 14, 2020
/s/ Joseph P. DiSabato Joseph P. DiSabato	Director	February 14, 2020
/s/ Tomas Gorny Tomas Gorny	Director	February 14, 2020
/s/ Peter J. Perrone Peter J. Perrone	Director	February 14, 2020
/s/ Chandler J. Reedy Chandler J. Reedy	Director	February 14, 2020
/s/ Justin L. Sadrian Justin L. Sadrian	Director	February 14, 2020
/s/ Alexi A. Wellman Alexi A. Wellman	Director	February 14, 2020

ENDURANCE
International Group

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive
Burlington, Massachusetts 01803

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 20, 2020

The 2020 Annual Meeting of Stockholders of Endurance International Group Holdings, Inc. will be held on Wednesday, May 20, 2020 at 2:00 p.m., Eastern time. Due to public health and travel concerns related to coronavirus (COVID-19), the Annual Meeting will be a virtual stockholder meeting, conducted via live audio webcast. You may attend the Annual Meeting online, vote your shares electronically and submit questions during the Annual Meeting by visiting www.virtualshareholdermeeting.com/EIGI2020. You will need to have your 16-Digit Control Number, included in your proxy card or in the instructions that accompanied your proxy materials, to join the Annual Meeting. At the Annual Meeting, stockholders will consider and act upon the following matters:

1. To elect three Class I directors nominated by our Board of Directors, each to serve for a term ending in 2023, or until his or her successor has been duly elected and qualified;

2. To approve, in a non-binding advisory "say-on-pay" vote, the compensation of our named executive officers, as described in the "Compensation Discussion and Analysis," executive compensation tables and accompanying narrative disclosures in this proxy statement;

3. To ratify the appointment of BDO USA, LLP, an independent registered public accounting firm, as our independent auditors for the year ending December 31, 2020; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record on our books at the close of business on March 23, 2020, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

If you are a stockholder of record, please vote over the internet at *www.proxyvote.com*, by telephone at (800) 690-6903 or, if you elected to receive printed materials, by mail. If your shares are held in "street name," that is, held for your account by a broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted.

Whether or not you plan to attend the Annual Meeting, we urge you to take the time to vote your shares.

By Order of the Board of Directors,

David Coffey

DAVID C. BRYSON
Secretary

April 9, 2020

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ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive
Burlington, Massachusetts 01803

PROXY STATEMENT

For the 2020 Annual Meeting of Stockholders on May 20, 2020

This proxy statement and the accompanying proxy card are being furnished in connection with the solicitation of proxies by our Board of Directors for use at the 2020 Annual Meeting of Stockholders, to be held on Wednesday, May 20, 2020 at 2:00 p.m., Eastern time, and at any adjournment or postponement thereof. Due to public health and travel concerns related to coronavirus (COVID-19), the Annual Meeting will be held virtually, conducted via live audio webcast. You may attend the Annual Meeting online, vote your shares electronically and submit questions during the Annual Meeting by visiting www.virtualshareholdermeeting.com/EIGI2020. You will need to have your 16-Digit Control Number, included in your proxy card or in the instructions that accompanied your proxy materials, to join the Annual Meeting.

All proxies will be voted in accordance with the instructions contained in those proxies. If no choice is specified, the proxies will be voted in favor of the matters set forth in the accompanying Notice of Annual Meeting of Stockholders.

This proxy statement, the accompanying proxy card and our 2019 Annual Report to Stockholders were first made available to stockholders on or about April 9, 2020.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS

For the 2020 Annual Meeting of Stockholders on May 20, 2020

This proxy statement and the 2019 Annual Report to Stockholders are available for viewing, printing and downloading at *www.proxyvote.com*.

A copy of our Annual Report on Form 10-K (including financial statements and schedules) for the year ended December 31, 2019, as filed with the Securities and Exchange Commission, or SEC, except for exhibits, will be furnished without charge to any stockholder upon written or oral request to:

Endurance International Group Holdings, Inc.
Attn: Investor Relations
10 Corporate Drive
Burlington, Massachusetts 01803
Telephone: (781) 852-3250

This proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2019 are also available on the SEC's website, *www.sec.gov*.

IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Q. Why did I receive these proxy materials?

A. We are providing these proxy materials to you in connection with the solicitation by our Board of Directors, or Board, of proxies to be voted at our 2020 Annual Meeting of Stockholders, or Annual Meeting, to be held virtually on the Internet, conducted via live audio webcast, on Wednesday, May 20, 2020 at 2:00 p.m., Eastern time.

Q. Who can vote at the Annual Meeting?

A. Our Board has fixed March 23, 2020 as the record date for the Annual Meeting. If you were a stockholder of record on the record date, you are entitled to vote all of the shares that you held on that date at the Annual Meeting and at any postponement or adjournment thereof. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply follow the instructions below to submit your proxy over the Internet, by telephone or by mail.

On the record date, we had 141,614,392 shares of common stock outstanding (each of which entitles its holder to one vote per share).

Q. How do I attend the Annual Meeting virtually?

A. Due to public health and travel concerns related to coronavirus (COVID-19), we will be hosting the Annual Meeting via live audio webcast on the Internet. You will not be able to attend the meeting in person. You may attend the Annual Meeting online, vote your shares electronically and submit questions during the Annual Meeting by visiting www.virtualshareholdermeeting.com/EIGI2020. You will need to have your 16-Digit Control Number, included in your proxy card or in the instructions that accompanied your proxy materials, to join the Annual Meeting.

The webcast will start at 2:00 p.m., Eastern time, on Wednesday, May 20, 2020. Instructions on how to attend and participate online, including how to demonstrate proof of stock ownership, are posted at www.virtualshareholdermeeting.com/EIGI2020. We encourage you to access the meeting prior to the start time to allow ample time to complete the online check-in process. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be provided on the log-in page.

Q. How do I vote?

A. **If your shares are registered directly in your name,** you may vote:

(1) **Over the Internet Before the Annual Meeting**: Go to the website of our tabulator, Broadridge Financial Solutions, Inc., or Broadridge, at *www.proxyvote.com*, and follow the instructions provided on the Notice Regarding the Availability of Proxy Materials you received. You must specify how you want your shares voted or your internet vote cannot be completed and you will receive an error message. Your shares will be voted according to your instructions. You must submit your internet proxy before 11:59 p.m., Eastern time, on May 19, 2020, the day before the Annual Meeting, for your proxy to be valid and your vote to count.

(2) **By Telephone**: Call (800) 690-6903, toll free from the United States, Canada and Puerto Rico, and follow the recorded instructions. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. Your shares will be voted according to your instructions. You must submit your telephonic proxy before 11:59 p.m., Eastern time, on May 19, 2020, the day before the Annual Meeting, for your proxy to be valid and your vote to count.

(3) **By Mail**: If you elected to receive printed materials, you may complete and sign your proxy card included with those materials and mail it in the enclosed postage prepaid envelope to Broadridge. Broadridge must receive the proxy card not later than May 19, 2020, the day before the Annual Meeting, for your proxy to be valid and your vote to count. Your shares will be voted according to your instructions.

If you do not specify how you want your shares voted, they will be voted as recommended by our Board.

(4) **During the Annual Meeting**: The Annual Meeting will be held virtually via live audio webcast. You may attend and vote at the Annual Meeting by visiting www.virtualshareholdermeeting.com/EIGI2020. You will need to have your 16-Digit Control Number, included in your proxy card or in the instructions that accompanied your proxy materials, to join the Annual Meeting.

If your shares are held in "street name," meaning they are held for your account by a broker or other nominee, you may vote:

(1) **Over the Internet Before the Annual Meeting or by Telephone**: You will receive instructions from your broker or other nominee if they permit internet or telephone voting. You should follow those instructions.

(2) **By Mail**: If you have elected to receive printed materials, you will receive instructions from your broker or other nominee explaining how you can vote your shares by mail. You should follow those instructions.

(3) **During the Annual Meeting**: Follow the instructions provided by your broker or other nominee who holds your shares.

Q. Can I change my vote?

A. **If your shares are registered directly in your name,** you may revoke your proxy and change your vote at any time before the Annual Meeting. To do so, you must do one of the following:

(1) Vote over the internet or by telephone as instructed above. Only your latest internet or telephone vote is counted. You may not change your vote over the internet or by telephone after 11:59 p.m., Eastern time, on May 19, 2020.

(2) If you have elected to receive printed materials, sign a new proxy and submit it as instructed above. Only your latest dated proxy, received by Broadridge not later than May 19, 2020, will be counted.

(3) Attend the Annual Meeting, request that your proxy be revoked and vote during the Annual Meeting as instructed above. Attending the Annual Meeting will not revoke your internet vote, telephone vote or proxy, as the case may be, unless you specifically request it.

If your shares are held in street name, you may submit new voting instructions by contacting your broker or other nominee. You may also vote during the Annual Meeting as described in the answer above.

Q. Will my shares be voted if I do not return my proxy?

A. If your shares are registered directly in your name, your shares will not be voted if you do not vote over the internet before the Annual Meeting, by telephone, by returning a proxy card via the mail or by electronic ballot at the Annual Meeting.

If your shares are held in street name, your broker or other nominee may, under certain circumstances, vote your shares if you do not timely return your proxy. **Brokers can vote their customers' unvoted shares on discretionary matters but cannot vote such shares on non-discretionary matters.** If you do not timely return a proxy to your broker to vote your shares, your broker may, on discretionary matters, either vote your shares or leave your shares unvoted.

The election of directors (Proposal 1) and the advisory "say-on-pay" vote (Proposal 2) are non-discretionary matters. The ratification of the appointment of our independent auditors (Proposal 3) is a discretionary matter.

We encourage you to provide voting instructions to your broker or other nominee by giving your proxy to them. This ensures that your shares will be voted at the Annual Meeting according to your instructions.

Q. How many shares must be present to hold the Annual Meeting?

A. A majority of our outstanding shares of common stock must be present to hold the Annual Meeting and conduct business. This is called a quorum. For purposes of determining whether a quorum exists, we count as present any shares that are voted over the internet, by telephone, by completing and submitting a proxy through the mail, or that are represented by a stockholder who votes during the meeting. Further, for purposes of establishing a quorum, we will count as present shares that a stockholder holds even if the stockholder votes to abstain or only votes on one of the proposals. In addition, we will count as present shares held in street name by banks, brokers or nominees that indicate on their proxies that they do not have authority to vote those shares on non-discretionary matters. If a quorum is not present, we expect to adjourn the Annual Meeting until we obtain a quorum.

Q. What vote is required to approve each proposal and how are votes counted?

A. Proposal 1 — Election of Three Class I Directors

The Annual Meeting will be uncontested with respect to the election of directors. An uncontested election means that there are as many candidates standing for election as there are vacancies on the Board. As a result, a nominee for Class I director will be elected if the votes cast "FOR" the nominee's election at the Annual Meeting exceed the votes cast "AGAINST" the nominee's election. **Proposal 1 is a non-discretionary matter**. Therefore, if your shares are held in street name and you do not vote your shares, your broker or other nominee cannot vote your shares on Proposal 1. Shares held in street name by brokers or nominees who indicate on their proxies that they do not have authority to vote the shares on Proposal 1 will not be counted as votes FOR or AGAINST any nominee and will be treated as "broker non-votes." Broker non-votes will not be counted as votes cast and will have no effect on the voting on Proposal 1. If you vote to ABSTAIN, your shares will not be voted FOR or AGAINST the nominee and will not be counted as votes cast. Voting to ABSTAIN will have no effect on the voting on Proposal 1. With respect to Proposal 1, you may:

- vote FOR all nominees;
- vote FOR one or more nominees and AGAINST the other nominee(s);
- vote AGAINST all nominees; or
- ABSTAIN from voting with respect to all or specific nominees.

Proposal 2 — Non-Binding Advisory "Say-on-Pay" Vote on the Compensation of our Named Executive Officers

To approve Proposal 2, stockholders holding a majority of the votes cast on the matter must vote FOR the approval of the compensation of our named executive officers, as described in the "Compensation Discussion and Analysis," executive compensation tables and accompanying narrative disclosures in this proxy statement. **Proposal 2 is a non-discretionary matter.** Therefore, if your shares are held in street name and you do not vote your shares, your broker or other nominee cannot vote your shares on Proposal 2. Shares held in street name by brokers or nominees who indicate on their proxies that they do not have authority to vote the shares on Proposal 2 will not be counted as votes FOR or AGAINST Proposal 2 and will be treated as broker non-votes. Broker non-votes will not be counted as votes cast and will have no effect on the voting on Proposal 2. If you vote to ABSTAIN on this Proposal 2, your shares will not be voted FOR or AGAINST the proposal and will not be counted as votes cast on Proposal 2. Voting to ABSTAIN will have no effect on the voting on Proposal 2. With respect to Proposal 2, you may:

- vote FOR the non-binding resolution;
- vote AGAINST the non-binding resolution; or
- ABSTAIN from voting on the non-binding resolution.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not overrule any decision by us or our Board (or any committee thereof). However, our Compensation Committee and our Board value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

Proposal 3 — Ratification of Appointment of Independent Auditors

To approve Proposal 3, stockholders holding a majority of the votes cast on the matter must vote FOR the proposal. **Proposal 3 is a discretionary matter.** Therefore, if your shares are held in street name and you do not vote your shares, your broker or other nominee may vote your unvoted shares on Proposal 3. If you vote to ABSTAIN on Proposal 3, your shares will not be voted FOR or AGAINST the proposal and will also not be counted as votes cast on Proposal 3. Voting to ABSTAIN will have no effect on the voting on Proposal 3.

Although stockholder approval of our Audit Committee's appointment of BDO USA, LLP, or BDO, as our independent auditors for the year ending December 31, 2020 is not required, we believe that it is advisable to give stockholders an opportunity to ratify this appointment. If Proposal 3 is not approved at the Annual Meeting, our Audit Committee may reconsider its appointment of BDO as our independent auditors for the year ending December 31, 2020.

Q. What happens if the votes cast "FOR" an incumbent director nominee do not exceed the votes cast "AGAINST" such nominee in an uncontested election?

A. Under our majority vote standard for the election of directors, in an uncontested election, a nominee for election as a Class I Director at the Annual Meeting will only be elected if the votes cast "FOR" such nominee exceed the number of votes cast "AGAINST" such nominee. Our Corporate Governance Guidelines require that as a condition to being nominated by the Board for re-election as a director, each incumbent director must tender to the Board an irrevocable resignation that will become effective upon both (i) only in the case of an uncontested election, the candidate's failure to receive the required vote and (ii) Board acceptance of such resignation. If any incumbent director does not receive the required vote in an uncontested election, the Board will decide (based on the recommendation of a committee of independent directors) whether to accept the director's resignation within 90 days after the election results are certified. We will promptly publicly disclose the Board's decision regarding the resignation and, if such resignation is rejected, the rationale behind the decision. If the Board accepts the director's resignation, the Board may fill the resulting vacancy or may decrease the size of the Board in accordance with our amended and restated bylaws. Our Corporate Governance Guidelines are posted on our website at http://ir.endurance.com/corporate-governance.

Q. Are there other matters to be voted on at the Annual Meeting?

A. We do not know of any matters that may come before the Annual Meeting other than the election of three Class I directors, the advisory "say-on-pay" vote, and the ratification of the appointment of our independent auditors. If any other matters are properly presented at the Annual Meeting, the persons named in the accompanying proxy intend to vote, or otherwise act, in accordance with their judgment on the matter.

Q. Where can I find the voting results?

A. We will report the voting results in a Current Report on Form 8-K within four business days following the adjournment of the Annual Meeting.

Q. Who bears the costs of soliciting these proxies?

A. We will bear the cost of soliciting proxies. In addition to these proxy materials, our directors, officers and employees may solicit proxies without additional compensation. We may reimburse brokers or persons holding stock in their names, or in the names of their nominees, for their expenses in sending proxies and proxy material to beneficial owners.

MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The following table sets forth the name, age and position of each of our directors as of March 23, 2020.

Name	Age	Position
Jeffrey H. Fox	58	President, Chief Executive Officer and Director
James C. Neary(2)(3)	55	Chairman of the Board
Andrea J. Ayers(3)	56	Director
Dale Crandall(1)	78	Director
Joseph P. DiSabato(2)(3)	53	Director
Tomas Gorny	44	Director
Peter J. Perrone(1)	52	Director
Chandler J. Reedy(3)	39	Director
Justin L. Sadrian(2)	47	Director
Alexi A. Wellman(1)	49	Director

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating and Corporate Governance Committee

Jeffrey H. Fox has served as a director and president and chief executive officer of our company since August 2017. Mr. Fox is a principal of The Circumference Group LLC, an investment and advisory firm which he founded in 2009. He was president and chief executive officer of Convergys Corporation, a customer management company, from 2010 to November 2012. Prior to that, Mr. Fox held multiple senior leadership roles at Alltel Corporation over a 13 year period, including chief operating officer, Group President – Shared Services, and Group President – Alltel Information Services. Mr. Fox currently serves on the board of Avis Budget Group, Inc., and within the last five years, he has served on the boards of directors of Convergys Corporation and Blackhawk Network Holdings, Inc. We believe Mr. Fox is qualified to serve on our Board due to his extensive experience leading strategy and operations for public companies in the technology, information services and telecom industries.

James C. Neary has served as our chairman since December 2011. Mr. Neary is a managing director and partner at Warburg Pincus LLC, or Warburg Pincus, and joined the firm in 2000. Mr. Neary is head of the firm's industrial and business services group, co-head of the firm's healthcare group and a member of the firm's investment management group. From 2010 to 2013, he led the firm's late-stage efforts in the technology and business services sectors. From 2004 to 2010, he was co-head of the firm's technology, media and telecommunications investment efforts. From 2000 to 2004, he led the firm's capital markets activities. Prior to joining Warburg Pincus, Mr. Neary was a managing director at Chase Securities and worked in the leveraged finance group at Credit Suisse First Boston. Currently, he is a director of WEX Inc. We believe Mr. Neary is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and as chairman of other companies and his deep familiarity with our company.

Andrea J. Ayers has served as a director of our company since February 2019. Ms. Ayers served as the president and chief executive officer of Convergys Corporation from October 2012 until SYNNEX Corporation's acquisition of Convergys in October 2018. Previously, Ms. Ayers served as the president of Convergys Customer Management Group Inc. from 2008 to 2012 and as the chief operating officer of Convergys Management Group Inc. from 2010 to 2012. Ms. Ayers is currently a member of the board of directors of Stanley Black & Decker, Inc. Within the last five years, Ms. Ayers has also served on the board of directors of Convergys Corporation. We believe Ms. Ayers is qualified to serve on our Board due to her extensive leadership and operating experience and expertise in customer management.

Dale Crandall has served as a director of our company since June 2013. Mr. Crandall founded Piedmont Corporate Advisors, Inc., a private financial consulting firm, in 2003 and currently serves as its president. Mr. Crandall also serves as a director of Zovio Inc. (formerly Bridgepoint Education, Inc.). Within the last five years, Mr. Crandall served as lead trustee of The Dodge & Cox Mutual Funds, and as a director of Ansell Limited. We believe Mr. Crandall is qualified to serve on our Board due to his strong foundation in financial reporting and accounting matters for complex organizations and his extensive executive leadership and management experience.

Joseph P. DiSabato has served as a director of our company since December 2011. Mr. DiSabato worked for Goldman Sachs from 1988 to 1991, rejoined Goldman Sachs in 1994 and has served as managing director in its Merchant Banking Division since 2000. Within the last five years, Mr. DiSabato served on the board of directors of Benefitfocus, Inc. We believe Mr. DiSabato is qualified to serve on our Board due to his extensive knowledge of financial and accounting matters and his familiarity with our company.

Tomas Gorny has served as a director of our company since 2007. Mr. Gorny also co-founded and served as chief executive officer and chairman of iPower, Inc., or iPower, from 2001 to 2007 and, following our acquisition of iPower in 2007, he remained in a senior leadership role at iPower until 2010. Mr. Gorny is the chief executive officer and chairman of Unitedweb, Inc., a company that invests in internet and technology companies, where he has served since 2008 when he co-founded the company. He is also the chief executive officer and chairman of Nextiva, Inc., a cloud communication platform company providing UCaaS and software services, where he has served since the company's founding in 2007. We believe Mr. Gorny is qualified to serve on our Board due to his extensive experience in our industry and detailed knowledge of our company and our business.

Peter J. Perrone has served as a director of our company since December 2011. Mr. Perrone is the chief financial officer at AtScale, Inc., a business intelligence and big data analytics company, where he has served since September 2017. Previously, Mr. Perrone served as the chief financial officer of Percolate Industries, Inc., a marketing technology company, from December 2015 to August 2017, and was with Limelight Networks, Inc., or Limelight Networks, a digital presence management company, where he served as its chief financial officer from November 2013 to December 2015, and as its senior vice president from August 2013 to November 2013. Mr. Perrone also served as a director of Limelight Networks from 2006 to August 2013. From 1999 to August 2013, Mr. Perrone was with Goldman Sachs, where he had served as managing director in its Principal Investment Area since 2007. We believe Mr. Perrone is qualified to serve on our Board due to his experience evaluating and providing guidance and strategic advice to technology and software companies, as well as his deep familiarity with our company.

Chandler J. Reedy has served as a director of our company since December 2011. Mr. Reedy is a managing director and partner at Warburg Pincus, where he has also served as an associate and as a principal, and joined the firm in 2004. Mr. Reedy leads the firm's late-stage investments in the technology and business services sectors. Prior to joining Warburg Pincus, he worked in UBS' Investment Banking Division where he advised corporations and financial sponsors on mergers and acquisitions and leveraged financings. We believe Mr. Reedy is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and deep familiarity with our company.

Justin L. Sadrian has served as a director of our company since December 2011. Mr. Sadrian is a managing director and partner at Warburg Pincus and joined the firm in 2000. Mr. Sadrian focuses on the firm's internet, software and information investments. Prior to joining the firm, Mr. Sadrian worked at JP Morgan in its investment banking and private equity groups. Mr. Sadrian is a member of the board of directors of Avalara, Inc. and within the last five years, he has served on the board of Grubhub Inc. We believe Mr. Sadrian is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and deep familiarity with our company.

Alexi A. Wellman has served as a director of our company since April 2019. Ms. Wellman has served as the chief financial and accounting officer at Altaba Inc., a publicly traded management investment company, since June 2017. Prior to that role, Ms. Wellman was the vice president, global controller of Yahoo from October 2015 to June 2017, and the vice president, finance at Yahoo from November 2013 to October 2015. Earlier in her career, Ms. Wellman was a partner at KPMG LLP. We believe Ms. Wellman is qualified to serve on our Board due to her extensive executive leadership experience and expertise in finance and accounting.

There are no family relationships among any of our directors or executive officers.

Composition of the Board of Directors

Our Board currently consists of ten members. The current members of our Board were elected in compliance with the provisions of a stockholders agreement among our company and certain holders of our common stock. See page 18 under "*Related Person Transactions—Stockholders Agreement*." In particular, investment funds and entities affiliated with Warburg Pincus designated Messrs. Neary, Reedy and Sadrian, and may designate up to one additional director, for election to our Board, and investment funds and entities affiliated with Goldman Sachs designated Mr. DiSabato, for election to our Board. Investment funds and entities affiliated with Warburg Pincus also designated Mr. Neary as the chairman of our Board. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

In accordance with the terms of our restated certificate of incorporation and amended and restated bylaws, our Board is divided into three classes, each of whose members will serve for staggered three-year terms. The members of the classes are divided as follows:

- the Class I directors are Ms. Wellman and Messrs. Perrone and Reedy, and their terms will expire at this Annual Meeting;
- the Class II directors are Messrs. Crandall, Gorny and Sadrian, and their terms will expire at our annual meeting of stockholders held in 2021; and
- the Class III directors are Ms. Ayers and Messrs. DiSabato, Fox and Neary, and their terms will expire at our annual meeting of stockholders held in 2022.

Our stockholders agreement provides that investment funds and entities affiliated with Warburg Pincus are entitled to designate up to:

- four directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 32,339,279 shares of our common stock, which represents 50% of the shares of our common stock that they held immediately following the closing of our initial public offering, or IPO;
- three directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 16,169,640 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO; and
- one director for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 8,084,820 shares of our common stock, which represents 12.5% of the shares of our common stock that they held immediately following the closing of our IPO.

In addition, our stockholders agreement provides that investment funds and entities affiliated with Goldman Sachs are entitled to designate one director to our Board for so long as investment funds and entities affiliated with Goldman Sachs hold an aggregate of at least 5,213,194 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO.

For so long as investment funds and entities affiliated with Warburg Pincus are entitled to designate at least three directors to our Board, the directors designated by investment funds and entities affiliated with Warburg Pincus will be entitled to designate the chairman of our Board.

Our restated certificate of incorporation provides that the authorized number of directors may be changed only by our Board, subject to the rights of any holders of any series of our preferred stock; provided that the authorized number of directors may not exceed ten as long as investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs are entitled to designate at least one director. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our Board may have the effect of delaying or preventing changes in our control or management.

Our stockholders agreement provides that any director designated by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs may be removed with or without cause only by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, respectively. In addition, our restated certificate of incorporation and our amended and restated bylaws provide that our directors may be removed only for cause by the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in an annual election of directors.

Upon the expiration of the term of a class of directors, directors in that class will be eligible to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires. Under our majority vote standard for the election of directors, in an uncontested election, a nominee for election as a director will only be elected if the votes cast "FOR" such nominee exceed the number of votes cast "AGAINST" such nominee.

Director Independence

Our common stock is listed on the Nasdaq Global Select Market. Rule 5605 of the Nasdaq Listing Rules requires a majority of a listed company's board of directors to be comprised of independent directors. In addition, the Nasdaq Listing Rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under Rule 5605(a)(2), a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries.

Our Board has undertaken a review of the composition of the Board and its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our Board has determined that each of our directors, with the exception of Messrs. Fox and Gorny, is an "independent director" as defined under Rule 5605(a)(2) of the Nasdaq Listing Rules. Our Board also determined that Ms. Wellman and Messrs. Crandall and Perrone, who are members of our Audit Committee, Messrs. DiSabato, Neary and Sadrian, who comprise our Compensation Committee, and Ms. Ayers and Messrs. DiSabato, Neary and Reedy, who comprise our Nominating and Corporate Governance Committee, satisfy the respective independence standards for such committees established by the SEC and the Nasdaq Listing Rules, as applicable.

In making such determinations, our Board considered the relationships that each such non-employee director has with our company and all other facts and circumstances our Board deemed relevant in determining independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Leadership Structure

Our corporate governance guidelines provide that the roles of chairman of the Board and chief executive officer may be separated or combined. Our Board has considered its leadership structure and determined that at this time, the roles of chairman of the Board and chief executive officer should be separate. Separating the chairman and the chief executive officer positions allows our chief executive officer, Mr. Fox, to focus on running the business, while the chairman of our Board, Mr. Neary, leads the Board in its fundamental role of providing advice to and oversight of management. Mr. Neary has been an integral part of the leadership of our company and our Board since December 2011, and our Board believes that he is well situated to lead the Board in these responsibilities. Our Board believes this leadership structure is appropriate at the current time because it balances independent oversight and operational execution.

Board Committees

Our Board has established Audit, Compensation, and Nominating and Corporate Governance Committees, each of which operates under a charter that has been approved by our Board. A copy of each committee's charter has been posted on the corporate governance section of our website, *www.endurance.com*.

Audit Committee

The Audit Committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- overseeing our internal audit function;
- overseeing our risk assessment and risk management policies, including with respect to cybersecurity risks;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting-related complaints and concerns;
- meeting independently with our internal auditing staff, independent registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the Audit Committee report required by SEC rules to be included in our proxy statement for our annual meeting of stockholders.

All audit services and all non-audit services, other than *de minimis* non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our Audit Committee.

The members of our Audit Committee are Ms. Wellman and Messrs. Crandall and Perrone. The Audit Committee met eight times during 2019.

Our Board has determined that Ms. Wellman and Messrs. Crandall and Perrone are each an "audit committee financial expert" as defined by applicable SEC rules.

Compensation Committee

The Compensation Committee's responsibilities include:

- reviewing and approving the compensation of our chief executive officer and our other executive officers;
- overseeing the evaluation of our senior executives;
- overseeing and administering our cash and equity incentive plans;
- annually reviewing and making recommendations to our Board with respect to director compensation;
- periodically reviewing and making recommendations to our Board with respect to management succession planning;
- reviewing and discussing with management our "Compensation Discussion and Analysis"; and
- preparing the Compensation Committee report required by SEC rules to be included in our proxy statement for our annual meeting of stockholders.

The members of our Compensation Committee are Messrs. DiSabato, Neary and Sadrian. The Compensation Committee met five times during 2019 and acted by written consent once. For additional information about the role and responsibilities of our Compensation Committee, see page 26 under "*Executive Compensation—Compensation Discussion and Analysis—Setting Executive Compensation—Oversight of Executive Compensation Program*."

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include:

- identifying individuals qualified to become Board members;
- recommending to our Board the persons to be nominated for election as directors and to each of the Board's committees;
- developing and recommending to the Board corporate governance principles; and
- overseeing an annual evaluation of the Board.

The members of our Nominating and Corporate Governance Committee are Ms. Ayers and Messrs. DiSabato, Neary and Reedy. The Nominating and Corporate Governance Committee met four times during 2019.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or served during 2019, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our Board or our Compensation Committee. None of the members of our Compensation Committee is an officer or employee of our company, nor has any member ever been an officer or employee of our company.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a current copy of the code on our website, *www.endurance.com*. In addition, we intend to post on our website all disclosures that are required by law or the Nasdaq Listing Rules concerning any amendments to, or waivers from, any provision of the code.

Director Nomination Process

The process followed by our Nominating and Corporate Governance Committee to identify and evaluate director candidates (other than directors appointed by Warburg Pincus and Goldman Sachs pursuant to our stockholders agreement) includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and our Board.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the Nominating and Corporate Governance Committee applies the criteria specified in our corporate governance guidelines. These criteria include the candidate's integrity, business acumen, commitment to understanding our business and industry, experience, conflicts of interest and ability to act in the interests of stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for any prospective nominee.

Our Board does not have a formal policy with respect to diversity, but our corporate governance guidelines provide that the backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities that will assist the Board in fulfilling its responsibilities.

The director biographies on pages 8 to 10 indicate each director nominee's experience, qualifications, attributes and skills that led the Board to conclude that each should continue to serve as a member of our Board. Our Board believes that each of the director nominees has had substantial achievement in his or her professional and personal pursuits, and possesses talents and experience that will contribute to our success.

Stockholder Nominations

Stockholders may recommend individuals to our Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o Corporate Secretary, Endurance International Group Holdings, Inc., 10 Corporate Drive, Burlington, MA 01803. Assuming that appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying the same criteria, as it follows for candidates submitted by others.

Stockholders also have the right under our amended and restated bylaws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board, by following the procedures set forth under "Stockholder Proposals for 2021 Annual Meeting." If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy statement and proxy card for the next annual meeting. Otherwise, candidates nominated by stockholders in accordance with the procedures set forth in the amended and restated bylaws will not be included in our proxy statement and proxy card for the next annual meeting.

Board Meetings and Attendance

Our Board met, either in person or telephonically, five times during 2019 and acted by written consent one time. During 2019, each director attended at least 75% of the aggregate of the number of Board meetings held while he or she was a member of the Board and the number of meetings held by all committees on which he or she then served.

Our directors are invited to attend our annual meetings of stockholders, but are not required to do so. Mr. Gorny attended our 2019 annual meeting of stockholders telephonically.

Communicating with the Independent Directors

Our Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The chairman of the Board, with the assistance of our chief legal officer, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are generally forwarded to all directors, or to specified individual directors, if applicable, if they relate to important substantive matters and include suggestions or comments that our chief legal officer considers to be important for the directors to know. In general, communications relating to corporate governance and corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we receive repetitive or duplicative communications.

Stockholders who wish to send communications to our Board should address such communications to Board of Directors, c/o Corporate Secretary, Endurance International Group Holdings, Inc., 10 Corporate Drive, Burlington, MA 01803.

Executive Officers Who Are Not Directors

The following table sets forth the name, age and position of each of our executive officers who are not also directors as of March 23, 2020.

Name	Age	Position
Marc Montagner	58	Chief Financial Officer
Christine Barry	55	Chief Operating Officer – Web Presence
David C. Bryson	67	Chief Legal Officer
John Orlando	54	Chief Marketing Officer
Kimberly S. Simone	54	Chief Operating Officer – Digital Marketing

Marc Montagner has served as our chief financial officer since September 2015. Mr. Montagner has also served as our chief risk officer since April 2018, and from May 2017 to February 2018, he served as our interim chief operating officer. Mr. Montagner was previously chief financial officer at LightSquared, Inc., or LightSquared (now Ligado Networks), from January 2012 until August 2015. Previously, he had been executive vice president of sales, marketing and strategy at LightSquared from 2009 to 2010. On May 14, 2012, LightSquared filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. From June 2010 to December 2011, Mr. Montagner served as managing partner of DuPont Circle Partners LLC. Prior to joining LightSquared in February of 2009, Mr. Montagner was managing director and co-head of the Global Telecom, Media and Technology Merger and Acquisition Group at Banc of America Securities. Until 2006, he was senior vice president, corporate development and M&A with the Sprint Nextel Corporation. Prior to 2002, Mr. Montagner was a managing director in the Media and Telecom Group at Morgan Stanley.

Christine Barry has served as our chief operating officer – web presence since June 2019. Previously, Ms. Barry served as our chief services officer from September 2017 to June 2019. From September 2014 to August 2017, Ms. Barry was president and chief executive officer of Windham Professionals, Inc., a revenue cycle management firm. From 2008 to April 2014, Ms. Barry served as senior vice president of global business process outsourcing operations at Convergys Corporation, a customer management company.

David C. Bryson has served as our chief legal officer since July 2013. He served as an executive vice president from May 2011 until July 2013 and as our general counsel from April 2005 until July 2013, as well as from 2000 to 2002. From 2002 to 2004, Mr. Bryson served as chief regulatory counsel at FleetBoston Financial Corporation.

John Orlando has served as our chief marketing officer since August 2016. Prior to joining Endurance, Mr. Orlando held several positions at Constant Contact, Inc., or Constant Contact, which we acquired in February 2016. Mr. Orlando served as chief marketing officer of Constant Contact from January 2016 to August 2016, vice president of customer and product marketing from October 2014 to January 2016 and vice president of product marketing from September 2013 to October 2014. From 2012 to 2013, Mr. Orlando was general manager and chief operating officer of RoundBuzz, a subsidiary of Sixth Sense Media, and from 2010 to 2012 he served as executive vice president of worldwide marketing and business development of Sixth Sense Media.

Kimberly S. Simone has served as our chief operating officer – digital marketing since June 2019. Previously, Ms. Simone served as our enterprise transformation officer from November 2017 to June 2019. From February 2013 to November 2017, Ms. Simone was vice president of the enterprise solutions division of Verizon Communications.

RELATED PERSON TRANSACTIONS

Other than compensation arrangements for our directors and named executive officers, which are described elsewhere in the "Executive Compensation" section of this proxy statement, below we describe transactions since January 1, 2019 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest.

Commercial Arrangements with Related Parties

Interactive Business Services, LLC, or IBS, provides website security and performance products that we offer to our customer base. Our director Mr. Gorny owned a majority of IBS until its sale to an unrelated third party in April 2018, and Mr. Gorny continued to hold a financial interest in IBS during 2019. Under our previous agreement with IBS, which was terminated effective July 2019, we paid IBS $675,000 per year for specified website security products provided to our customers. The agreement also involved revenue share arrangements between the parties, a minimum sales commitment by IBS and an agreement by us to use IBS as the exclusive external sales organization for a designated set of website security products for our major U.S. operated brands. We were also party to two much smaller agreements with IBS, also terminated effective July 2019, relating to our India business and a small non-strategic web hosting brand, respectively, pursuant to which we paid IBS a revenue share for sales of IBS products and services and exclusively offered IBS for website security solutions to customers of these businesses. In July 2019 we entered into a new strategic partnership agreement with IBS that is primarily based on a revenue share arrangement between the parties and a monthly fee for product support provided by IBS. The agreement has an initial term of two years ending in July 2021 and will automatically renew for subsequent one year terms unless terminated by either party. The new agreement with IBS does not contain an exclusivity provision, but IBS has an economic termination right if amounts payable by us under the agreement fall below certain specified amounts. In 2019, we recorded expenses of $1.8 million in connection with our relationship with IBS.

Pursuant to his employment agreement, we reimburse Mr. Fox, our chief executive officer, for expenses incurred from the use of his private aircraft for company business purposes at a rate of $4,125 per hour. In 2019, we reimbursed Mr. Fox approximately $139,000 for use of such private aircraft for company business travel.

Okumus Share Repurchase

Pursuant to the company's share repurchase authorization announced on March 10, 2020, on March 19, 2020, we entered into a stock repurchase agreement with Okumus Fund Management Ltd. ("Okumus"), a holder of more than 5% of our capital stock. Under the agreement, we repurchased 5.0 million shares of our common stock from Okumus on March 23, 2020 at a price of $1.49 per share, for an aggregate repurchase price of $7.45 million. The $1.49 per share repurchase price we paid represented a discount to the closing price per share of our common stock on the trading day prior to our entry into the repurchase agreement, which was $1.55 per share.

Registration Rights Agreement

We entered into a second amended and restated registration rights agreement, dated October 25, 2013, or the 2013 registration rights agreement, with certain holders of our common stock, including our principal stockholders, pursuant to which we have agreed to register the sale of shares of our common stock under specified circumstances. As of March 23, 2020, holders of a total of 65,693,919 shares of our common stock have the right to require us to register these shares under the Securities Act of 1933, as amended, or the Securities Act, under specified circumstances. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act.

We may be required by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs to register all or part of their shares of common stock in accordance with the Securities Act and the 2013 registration rights agreement. The net aggregate offering price of shares that investment funds and entities affiliated with Warburg Pincus or Goldman Sachs propose to sell in any underwritten offering must be at least $50 million, or such holder must propose to sell all of such holder's shares if the net aggregate offering price of such shares is less than $50 million. We are not obligated to effect more than three demand registrations at the request of investment funds and entities affiliated with Warburg Pincus and one demand registration at the request of investment funds and entities affiliated with Goldman Sachs, or effect more than one marketed underwritten offering in any consecutive 90-day period without the consent of investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs. There is no limitation on the number of unmarketed underwritten offerings that we may be obligated to effect at the request of investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs. We have specified rights to delay the filing or initial effectiveness of, or suspend the use of, any registration statement filed or to be filed in connection with an exercise of a holder's demand registration rights.

In addition, if we propose to file a registration statement under the Securities Act with respect to specified offerings of shares of our common stock, we must allow holders of registration rights to include their shares in that registration. These registration rights are subject to specified conditions and limitations, including the right of the underwriters to limit the number of shares to be registered and our right to delay a registration statement under specified circumstances. Pursuant to the 2013 registration rights agreement, we are required to pay all registration expenses and indemnify each participating holder with respect to each registration of registrable shares that is completed.

Stockholders Agreement

We entered into a stockholders agreement, dated October 24, 2013, which we refer to as the stockholders agreement, with certain holders of our common stock, including investment funds and entities affiliated with Warburg Pincus and Goldman Sachs. The stockholders agreement contains agreements among the parties with respect to the election of our directors, certain restrictions on the issuance and transfer of shares and certain corporate governance matters. The material terms of the stockholders agreement are described below.

Director Designees; Chairman

Under the terms of the stockholders agreement, investment funds and entities affiliated with Warburg Pincus are entitled to designate up to:

- four directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 32,339,279 shares of our common stock, which represents 50% of the shares of our common stock that they held immediately following the closing of our IPO;
- three directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 16,169,640 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO; and
- one director for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 8,084,820 shares of our common stock, which represents 12.5% of the shares of our common stock that they held immediately following the closing of our IPO.

In addition, investment funds and entities affiliated with Goldman Sachs are entitled to designate up to one director to our Board for so long as investment funds and entities affiliated with Goldman Sachs hold an aggregate of at least 5,213,194 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO.

For so long as investment funds and entities affiliated with Warburg Pincus are entitled to designate at least three directors to our Board, the directors designated by investment funds and entities affiliated with Warburg Pincus will be entitled to designate the chairman of our Board.

Removal of Directors

Any director designated by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs may be removed with or without cause only by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs, as applicable.

Quorum

For so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least one director for election to our Board and for so long as investment funds and entities affiliated with Goldman Sachs have the right to designate at least one director for election to our Board, in each case, a quorum of our Board will not exist without at least one director designee of each of Warburg Pincus and Goldman Sachs present at such meeting; provided that if a meeting of our Board fails to achieve a quorum due to the absence of a director designee of Warburg Pincus or Goldman Sachs, as applicable, the presence of at least one director designee of Warburg Pincus or Goldman Sachs, as applicable, will not be required in order for a quorum to exist at the next meeting of our Board.

Approval Rights

For so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least three directors for election to our Board, in addition to any other vote required by applicable law, certain actions required or permitted to be taken by our stockholders and certain specified corporate transactions may be effected only with the affirmative vote of 75% of our Board, including:

- acquisitions or business combination transactions involving any other entity with an enterprise value in excess of $200 million in the aggregate;
- mergers or other business combinations or other transactions involving a sale of all or substantially all of our and our subsidiaries' assets or a "change in control" under our indebtedness documents;
- dispositions of our or our subsidiaries' assets with a value in excess of $200 million, other than sales of inventory or products in the ordinary course of business;
- any change in the size of our Board;
- any amendment to our restated certificate of incorporation or our amended and restated bylaws;
- any termination of our chief executive officer or designation of a new chief executive officer;
- any change in the composition of any committee of our Board;
- except for ordinary course compensation arrangements, entering into, or modifying, any arrangements with one of our executive officers or any of our or our executive officers' affiliates or associates;
- issuance of additional shares of our or our subsidiaries' capital stock, subject to certain limited exceptions;
- incurrence of indebtedness, in a single transaction or a series of related transactions, that exceeds five times consolidated EBITDA, as defined in our Third Amended and Restated Credit Agreement, dated November 25, 2013, by and among us, EIG Investors Corp., as borrower, the lenders party thereto, and Credit Suisse AG, as administrative agent, as amended or restated from time to time, which we refer to as the credit agreement, for the preceding 12 months, subject to certain exceptions; and
- any amendment to the definition of consolidated EBITDA in the credit agreement.

For so long as investment funds and entities affiliated with Goldman Sachs have the right to designate one director for election to our Board, the approval of the director designated by investment funds and entities affiliated with Goldman Sachs will be required for amendments to certain agreements with us if such amendments are disproportionately favorable to investment funds and entities affiliated with Warburg Pincus as compared to investment funds and entities affiliated with Goldman Sachs.

Corporate Opportunities

To the fullest extent permitted by law, we have, on behalf of ourselves, our subsidiaries and our and their respective stockholders, renounced any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be presented to Warburg Pincus, Goldman Sachs or any of their respective affiliates, partners, principals, directors, officers, members, managers, employees or other representatives, and no such person has any duty to communicate or offer such business opportunity to us or any of our subsidiaries. Further, no such person shall be liable to us or any of our subsidiaries or any of our or its stockholders for breach of any duty, as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us or our subsidiaries. This exculpation from liability does not apply in the case of any such person who is a director or officer of ours, where such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer of ours.

Indemnification Agreements

Our restated certificate of incorporation provides that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with all of our directors and executive officers. These indemnification agreements require us, among other things, to indemnify each such director and executive officer for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by him or her in any action or proceeding arising out of his or her service as one of our directors or executive officers, as applicable.

Although directors designated for election to our Board by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs may have certain rights to indemnification, advancement of expenses or insurance provided or obtained by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, respectively, we have agreed in our stockholders agreement that we will be the indemnitor of first resort, will advance the full amount of expenses incurred by each such director and, to the extent that investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs or their insurers make any payment to, or advance any expenses to, any such director, we will reimburse those investment funds and entities and their insurers for such amounts.

Transactions with Goldman Sachs

Certain affiliates of The Goldman Sachs Group, Inc., including GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P. and related entities, or the Goldman Sachs Funds, beneficially own approximately 10.9% of our outstanding capital stock, and Mr. DiSabato, one of our directors, is a managing director at Goldman Sachs. See page 45 under "*Principal Stockholders*" and page 8 under "*Management and Corporate Governance*."

In December 2015, we entered into a three-year interest rate cap with a subsidiary of Goldman Sachs & Co. which limited our exposure through February 2019 to LIBOR interest rate increases over 2.0% on $500.0 million of our outstanding debt. In 2016, we paid approximately $3.0 million to a subsidiary of Goldman Sachs & Co. as a premium for this interest rate cap. No further premiums are payable under this interest rate cap.

In February 2016, our wholly owned subsidiary EIG Investors Corp. issued 10.875% senior notes, or the Notes, in the aggregate principal amount of $350.0 million due 2024. In January 2017, we exchanged the Notes for substantially identical notes, or the Exchange Notes, except that the Exchange Notes are registered under the Securities Act. In November 2016, we filed a registration statement providing for the registration of certain secondary transactions in the Exchange Notes by Goldman Sachs & Co. and its affiliates. This registration statement remains effective and in 2020, we incurred expenses of approximately $0.1 million in connection with the filing of an update to this registration statement.

Arrangements with Executive Officers and Directors

For a description of the compensation arrangements we have with our executive officers and directors, see page 38 under "*Executive Compensation—Employment and Compensation Arrangements with Named Executive Officers*" and page 42 under "*Executive Compensation—Director Compensation*."

Policies and Procedures for Related Person Transactions

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which our company is a participant, the amount involved exceeds $120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our chief legal officer. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between Audit Committee meetings, subject to ratification by the Audit Committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the Audit Committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in or is not inconsistent with our company's best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our Board has determined that transactions that are specifically contemplated by provisions of our restated certificate of incorporation and amended and restated bylaws do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors has reviewed the audited financial statements of Endurance International Group Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2019 and discussed them with the Company's management and BDO USA, LLP, the Company's independent registered public accounting firm.

The Audit Committee has also received from, and discussed with, the Company's independent registered public accounting firm various communications that the Company's independent registered public accounting firm is required to provide to the Audit Committee, including the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the Securities and Exchange Commission.

The Audit Committee has received the written disclosures and the letter from the Company's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the Company's independent registered public accounting firm its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for filing with the Securities and Exchange Commission.

By the Audit Committee of the Board of Directors of Endurance International Group Holdings, Inc.

Dale Crandall, Chairman
Peter J. Perrone
Alexi A. Wellman

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes our executive compensation program, including the 2019 compensation of our named executive officers, or NEOs, who are listed below:

Name	Title
Jeffrey H. Fox	President and Chief Executive Officer
Marc Montagner	Chief Financial Officer
John Orlando	Chief Marketing Officer
Christine Barry	Chief Operating Officer – Web Presence; former Chief Services Officer (1)
David C. Bryson	Chief Legal Officer

(1) Ms. Barry served as chief services officer through June 24, 2019, when she became chief operating officer for our web presence business.

Overview

We are a leading provider of cloud-based platform solutions designed to help small- and medium-sized businesses, or SMBs, succeed online. We serve approximately 4.8 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses. In addition to for-profit businesses, our subscribers include non-profit organizations, community groups, bloggers, and hobbyists. Although we provide our solutions through a number of brands, we are focusing our marketing, engineering and product development efforts on a small number of strategic assets, including our Constant Contact, Bluehost, HostGator, and Domain.com brands.

The table below provides a summary of our financial results for the years ended December 31, 2018 and 2019. Please see our Annual Report on Form 10-K filed with the SEC on February 14, 2020 for additional discussion of our business and fiscal year 2019 performance.

	Year Ended December 31, 2018	Year Ended December 31, 2019
	(in thousands)	
Revenue	$1,145,291	$1,113,278
Net income (loss)	$ 4,534	$ (12,347)
Adjusted EBITDA(1)	$ 338,058	313,644
Net cash provided by operating activities	$ 182,552	161,973
Free cash flow(1)	$ 129,233	114,658

(1) Adjusted EBITDA and free cash flow are non-GAAP financial measures. Please see *Appendix A* for a reconciliation of adjusted EBITDA and free cash flow to their nearest comparable GAAP financial measures.

Since the beginning of 2018, we have focused on investing to improve the customer experience and expand product offerings in our strategic brands and on simplifying our business, with the goal of returning to positive subscriber and revenue growth. While we believe our efforts in these areas are beginning to yield positive results, our progress toward revenue growth in 2019 was slower than we had anticipated, which negatively impacted our stock price and the value of our employees' long-term equity incentives.

We believe that retaining and incentivizing our employees is critical to the attainment of our business goals. Since the hiring market in our industry and in the geographic areas where many of our offices are located is highly competitive, we must maintain market-competitive levels of compensation to retain key personnel. In light of these factors, in July 2019, the Compensation Committee approved off-cycle restricted stock unit awards to certain NEOs and other key employees. These awards, or the Retention Grants, were in addition to our regular annual equity grants made in February 2019. The Retention Grants vest in three equal annual installments on each anniversary of the grant date over the next three years. Please see "*2019 Executive Compensation*" below for further discussion of the Retention Grants.

Key Features of Executive Compensation Program

Our executive compensation is designed to deliver compensation in accordance with company and individual performance and to support our operational and financial priorities. Our executive compensation programs are intended to:

- Link compensation to stockholder value creation and the long-term growth of our company;
- Be aligned with stockholder interests;
- Be market competitive with the firms with which we compete for executives, so that we can attract, retain and reward the best talent;
- Support our key operating and financial goals; and
- Reflect each executive's experience, skills, individual performance and career potential.

The key elements, compensation objectives and principles of our overall 2019 executive compensation program, and information on how these relate to company and individual performance, are summarized in the table below.

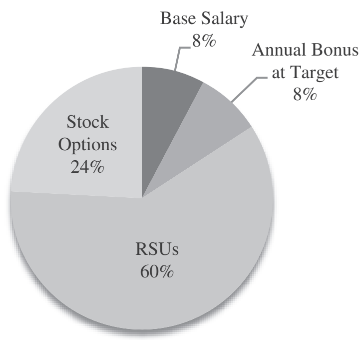
Compensation Element	Compensation Objectives and Principles	Relation to Performance
Base Salary—*fixed annual cash salary*	• Compensate NEOs for services rendered during the year in the form of fixed cash compensation. • Base salary levels are generally set to reflect each NEO's role and responsibilities, value to us, experience, performance, internal equity and market competitiveness.	• Increases in base salary reflect factors such as economic conditions, business conditions, the Compensation Committee's assessment of company and individual performance over the prior year, and potential of the individual to contribute to our success.
Annual Bonus—*variable cash payment based on company and individual performance*	• Motivate and reward NEOs for achieving specific company performance goals over a one-year period. • Payment is not guaranteed and payout levels vary according to company and individual performance.	• Company performance determines the extent to which the annual bonus will be funded (if at all), although the Compensation Committee can exercise discretion to fund the annual bonus in whole or in part even if targets are not achieved. • Annual bonuses may be adjusted based upon individual performance.

Long-Term Incentives ("LTI")— *equity awards that focus executives on the long-term performance of the company*	• Align NEOs' interests with those of our stockholders and drive long-term value creation. • Reward NEOs for long-term growth. • Attract, retain, motivate and reward NEOs.	• Restricted stock units (sometimes referred to as RSUs) provide retention incentives and align NEO interests with those of stockholders. • Stock options can motivate executives to take actions that could increase our stock price.

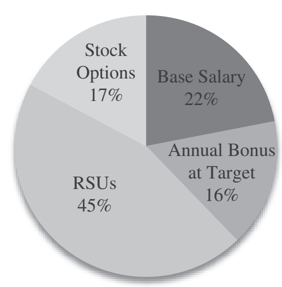
Mix of 2019 Target Compensation

The following charts show the mix of 2019 target compensation for (i) Mr. Fox and the (ii) other NEOs, on average. The data shown reflects target compensation established in February 2019 and does not reflect Ms. Barry's promotion in June 2019 or the Retention Grants made in July 2019. Stock option and RSU values are calculated in accordance with the methodology used for the "*Summary Compensation Table*" below.

Target Compensation of Mr. Fox



Average Target Compensation of the other NEOs



Executive Compensation Best Practices

Our executive compensation program features a number of best practices that are designed to focus our NEOs on our long-term performance and to align their interests with those of our stockholders generally:

- None of our NEOs have guaranteed base salary increases or bonuses.
- We do not provide our NEOs with any defined benefit pension or supplemental pension benefits.
- None of our NEOs have "golden parachute" excise tax gross-up arrangements.
- We use an independent compensation consultant and benchmark our compensation practices against a peer group of similar companies within a reasonable size range of us.
- Equity awards granted to our NEOs generally have "double-trigger" vesting and will be accelerated only in the event we undergo a change in control and the executive's employment is terminated without cause by us, or, if applicable, for good reason by the executive, in connection with the change in control or, for Mr. Fox, if the acquiring corporation in a change in control does not agree to assume Mr. Fox's outstanding equity awards.
- We believe our compensation program does not encourage excessive risk taking.
- Our stock incentive plans do not permit repricing or exchange of underwater stock options without stockholder approval.
- We prohibit hedging of our stock by employees, officers and directors.

- We prohibit pledging of our stock by employees, officers and directors.
- We have stock ownership guidelines that apply to our officers and directors.
- We have a clawback policy that applies to our officers.
- We hold an annual advisory “say-on-pay” vote on NEO compensation.

2019 “Say-On-Pay” Vote

Approximately 90% of the votes cast at our 2019 Annual Meeting of Stockholders held on May 22, 2019 voted to approve the compensation of our NEOs. The Compensation Committee considered these results when making decisions on executive compensation. We believe the results demonstrate support for the overall design of our compensation program in 2018. As in past years, the Committee considered granting our executives long-term equity incentive awards that vest based upon performance targets rather than solely based on the provision of services to the company over time. The Committee concluded that time-based vesting for equity awards was the most effective way to encourage our executives to remain with us while the company is undergoing a period of strategic and operational transition.

Setting Executive Compensation

Oversight of Executive Compensation Program

Our Compensation Committee is responsible for overseeing our executive compensation program. The Committee reviews and approves the compensation of our chief executive officer and our other executive officers after taking into account a number of factors, including the following:

- our financial and operational performance;
- the chief executive officer’s recommendations with respect to the compensation of his direct reports;
- the input of our human resources leadership;
- the Committee’s own assessment of the performance of each executive officer;
- internal pay equity considerations among our senior management employees;
- peer group and market data for comparable positions; and
- prevailing industry compensation trends and practices.

Our Compensation Committee has full discretion to approve, modify or reject any compensation change recommended by our chief executive officer for other executive officers.

The Compensation Committee has the ability to delegate certain of its responsibilities to subcommittees. The Compensation Committee may also delegate to executive officers the ability to approve grants under our stock incentive plans to employees who are not executive officers or directors.

Our Compensation Committee has engaged Exequity, LLP, or Exequity, an independent compensation consulting firm, to advise it on executive compensation, equity plan design and related corporate governance matters. In 2019, Exequity advised our Compensation Committee with respect to Mr. Fox’s compensation, the composition of our executive compensation peer group, evaluating and benchmarking our executive compensation programs in relation to peer group and market practices, benchmarking our stock incentive plan utilization and overhang rates in relation to peer group practices, and trends in executive compensation. The Compensation Committee has assessed Exequity’s independence from management as required by the Nasdaq Listing Rules and has concluded that Exequity’s engagement does not present a conflict of interest.

Benchmarking of Executive Compensation for 2019

The Compensation Committee evaluates our executive compensation program based on our business and talent development strategies, the Committee members' business judgment and a group of peer companies. For 2019, this group consisted of the following 15 companies that were in similar or complementary industries, had generally comparable revenue and market capitalizations, and/or were competitors for key executive talent:

Cimpress N.V.	The Ultimate Software Group, Inc.
CoStar Group, Inc.	TripAdvisor, Inc.
GoDaddy Inc.	Verint Systems Inc.
GrubHub Inc.	VeriSign, Inc.
J2 Global, Inc.	Web.com Group, Inc.
LogMeIn, Inc.	Wix.com Ltd.
Nuance Communications, Inc.	Yelp, Inc.
SS&C Technologies Holdings, Inc.	

We added LogMeIn, Inc. and Nuance Technologies, Inc. to our 2019 peer group to replace Bankrate Inc., EarthLink Holdings Corp., and WebMD Health Corp, each of which was acquired during 2017. The Compensation Committee selected LogMeIn and Nuance primarily because they are in the cloud-based software industry and are headquartered in the same geographic area as we are, and therefore compete with us for executive talent.

The Compensation Committee reviewed compensation data from the above peer group as a reference to provide context for setting 2019 target pay opportunities for our executive officers. The Committee also reviewed data from the 2018 Radford Global Technology Survey from companies with $1 billion to $3 billion in revenue for the same purpose.

We do not target a specific, relative percentile positioning for total direct compensation, or the elements of total direct compensation, for NEO pay levels. Instead, we review total compensation for each position and the mix of elements to ensure that compensation is adequate to attract and retain key NEOs.

Compensation Risk

We believe that risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on our company, as we believe we have allocated compensation among base salary and short- and long-term compensation opportunities in a manner that does not encourage excessive risk taking. We have reached this conclusion based on the following factors:

- Base salaries, including those of our NEOs, are fixed and based on the respective responsibility of the individual. Base salaries are generally designed to provide a predictable income at market-competitive levels, regardless of our financial or stock price performance.
- Our annual bonus program, the Management Incentive Plan, or MIP, is based on company-wide objectives rather than on the objectives of a specific operating geography or operating segment. We believe this encourages decision making that is in the best interest of our company and stockholders as a whole.
- Bonuses under the MIP are capped at a maximum payout (which was 125% of target for the 2019 MIP) and payouts are subject to adjustment based on the Compensation Committee's discretion. We believe both of these features act as disincentives to excessive risk taking.
- Long-term compensation opportunities consist of equity-based awards such as RSUs, restricted stock and options that typically vest over three to four years. We believe that this encourages our executives to make decisions that are in the best long-term interests of our company as a whole because the ultimate value of these awards is realized over time and dependent upon company performance.

2019 Executive Compensation

In determining 2019 compensation for our NEOs, our Compensation Committee evaluated the three key compensation elements – base salary, annual bonus, and long-term incentives – both individually and in the aggregate as components of each NEO's total compensation. This section discusses the Committee's decisions with respect to each of these components.

Base Salary

During 2019, the Compensation Committee approved the following base salary increases for our NEOs:

Name	2018 Base Salary (at year end) ($)	2019 Base Salary (at year end) ($)(1)	Change ($/%)	Rationale(2)
Jeffrey H. Fox	800,000	825,000	3.1%	COLA
Marc Montagner	500,000	515,000	3.0%	COLA
John Orlando	385,605	401,029	4.0%	COLA, market adjustment
Christine Barry	357,000	400,000	12.0%	Promotion, market adjustment and COLA
David C. Bryson	357,000	367,710	3.0%	COLA

(1) 2019 COLA increases were effective on March 30, 2019.
(2) "COLA" means cost of living adjustment

These salary increases were primarily cost of living adjustments. Ms. Barry's base salary increase also reflected her promotion from chief services officer to chief operating officer – web presence in June 2019 and adjustments to better align her compensation with peer group data for comparable positions.

Annual Bonus: 2019 Management Incentive Plan (MIP)

Our annual cash bonuses are granted under the MIP, a non-equity incentive plan which is designed to reward our employees, including the NEOs, for our achievement of designated company performance targets for a fiscal year.

For 2019, the MIP had two pre-established targets, each weighted at 50%: a GAAP revenue target of $1.150 billion and an adjusted EBITDA target of $320 million. Both GAAP revenue and adjusted EBITDA were defined as set forth in the company's publicly filed financial reports, as follows:

- **GAAP revenue (50% weighting)** was defined as revenue recognized for 2019 in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as reported in the company's publicly filed financial statements.
- **Adjusted EBITDA (50% weighting)** was defined as net income (loss) for 2019, excluding the impact of interest expense (net), income tax expense (benefit), depreciation, amortization of other intangible assets, stock-based compensation, restructuring expenses, transaction expenses and charges, gain on sale of business, (gain) loss of unconsolidated entities, impairment of goodwill and other long-lived assets, SEC investigations reserve, and shareholder litigation reserve.

The MIP provides that the company's performance against each of the GAAP revenue and adjusted EBITDA targets is evaluated separately and is mapped to a bonus pool funding percentage in accordance with the matrix below. The bonus pool funding percentage for each metric is weighted and added to the corresponding figure for the other metric. The bonus pool is funded at the resulting combined percentage, which we refer to as the "bonus pool funding percentage". If the company's actual performance for either metric falls between the target figures shown in the matrix, linear interpolation is used to determine the corresponding bonus pool funding percentage.

GAAP Revenue

Target ($, in billions)	Bonus Pool Funding Percentage
<1.125	0%
1.125	90%
1.150	100%
1.175	110%
1.200+	125%

Adjusted EBITDA

Target ($, in millions)	Bonus Pool Funding Percentage
<300	0%
300	90%
320	100%
335	110%
355+	125%

If the bonus pool is funded, the MIP provides that individual bonuses are calculated based upon the combined bonus pool funding percentage and each individual's base salary actually paid for the year (referred to as his or her "eligible earnings"), target bonus percentage (expressed as a percentage of eligible earnings), and a discretionary individual performance adjustment. The target bonus percentages for Messrs. Fox, Montagner, Orlando, and Bryson were 100%, 100%, 75 and 60%, respectively, for all of 2019. The Compensation Committee increased Ms. Barry's target bonus percentage from 50% to 60% effective April 1, 2019 as part of our annual executive compensation review process, and to 75% effective October 1, 2019, in connection with her promotion to chief operating officer – web presence.

The 2019 company targets, actual achievement, and bonus pool funding percentages for each of GAAP revenue and adjusted EBITDA were as follows:

Metric	Target ($)	Actual Achievement ($)	Bonus Pool Funding Percentage		
			Unweighted	Weighted	Combined
GAAP revenue	1.150 billion	1.113 billion	0.0%	0.0%	**48.4**%
Adjusted EBITDA(1)	320 million	314 million	96.8%	48.4%	

(1) Adjusted EBITDA is a non-GAAP financial measure. Please see *Appendix A* for a reconciliation of adjusted EBITDA to net income (loss), its most comparable GAAP financial measure.

We separately evaluated our actual achievement for each of the GAAP revenue and adjusted EBITDA metrics and mapped the result to a bonus pool funding percentage, using linear interpolation for adjusted EBITDA as described above. The bonus pool funding percentage for GAAP revenue was 0.0% because the company did not meet the minimum threshold required for the GAAP revenue metric to contribute to bonus pool funding, and the bonus pool funding percentage for adjusted EBITDA was 96.8%. Each bonus pool funding percentage (shown in the "Bonus Pool Funding Percentage – Unweighted" column in the table above) was then given a weight of 0.5, and added to the weighted percentage for other metric to arrive at a combined company bonus pool funding percentage of 48.4%.

The Compensation Committee exercised its discretion under the 2019 MIP to provide for funding of the 2019 MIP bonus pool at 90% of the target level for our non-executive employees, due to the importance of maintaining employee morale and promoting retention in a competitive hiring market. However, the 48.4% bonus pool funding percentage determined through the calculations described above was used to determine 2019 MIP payouts to our NEOs (other than Ms. Barry, as described below). Bonuses for NEOs were calculated by multiplying each person's eligible earnings by his or her target bonus percentage and 48.4%. The output of this calculation for each NEO was then reviewed by the Compensation Committee for increase or decrease based upon its subjective assessment of each individual's performance and (with respect to NEOs other than Mr. Fox) input and recommendations from Mr. Fox. The Committee adjusted Ms. Barry's payout upwards to $208,858, which would correspond to a bonus pool funding percentage of 90%, in recognition of the significant additional responsibilities she took on as a result of her promotion to chief operating officer – web presence in June 2019.

The following table provides further detail about the 2019 annual bonus payout under the MIP for each NEO:

Name	2019 MIP Bonus Eligible Earnings ($)	Target Percent of Eligible Earnings	2019 Bonus Pool Funding Percentage	Individual Performance Adjustment	Actual 2019 MIP Annual Bonus Earned ($)
Jeffrey H. Fox	818,269	100%	48.4%	None	396,042
Marc Montagner	510,962	100%	48.4%	None	247,306
John Orlando	396,877	75%	48.4%	None	144,066
Christine Barry	379,717	~61%(1)	48.4%	186%(2)	208,858
David C. Bryson	364,827	60%	48.4%	None	105,946

(1) Target percent shown is a blended rate that reflects two increases to Ms. Barry's target bonus percentage during 2019 as discussed above. The first increase was from 50% to 60% and was effective April 1, 2019, and the second was from 60% to 75% and was effective October 1, 2019.

(2) Ms. Barry's 2019 MIP payout was adjusted upwards to correspond to a bonus pool funding percentage of 90% to reflect her promotion, as discussed above. This equates to a dollar adjustment of $96,539, or an individual performance adjustment of approximately 186%.

2019 Long-Term Equity Incentives

Annual Grants- February 2019

In February 2019, our Compensation Committee granted annual long-term equity incentives, or LTI, to our NEOs in the form of a combination of RSUs (75% of LTI value) and stock options (25% of LTI value). The Compensation Committee used peer group benchmarking data, its assessment of individual performance, internal pay equity considerations, input from Exequity, and (with respect to NEOs other than Mr. Fox) input from Mr. Fox to determine the value of the annual equity grant for each NEO.

The following table summarizes the February 2019 annual equity awards to the NEOs:

Name	LTI Value ($)	Approximate Value Delivered as Stock Options ($)	Shares Underlying Stock Options (#)	Approximate Value Delivered as or RSUs ($)	Shares Underlying RSUs (#)
Jeffrey H. Fox	8,000,000	2,000,000	500,625	6,000,000	750,939
Marc Montagner	2,000,000	500,000	125,155	1,500,000	187,735
John Orlando	1,250,000	312,500	78,223	937,500	117,334
Christine Barry	750,000	187,500	46,932	562,500	70,401
David C. Bryson	500,000	125,000	31,288	375,000	46,934

The number of shares subject to each award was determined for the RSU component by dividing the "Approximate Value Delivered as RSUs" shown in the table above by $7.99, which was the closing price of a share of our common stock on the grant date. These RSUs vest over three years, with one-third vesting on each anniversary of the grant date.

The number of shares subject to the stock option component of each award was determined by dividing the "Approximate Value Delivered as Stock Options" shown in the table above by one-half of the $7.99 grant date per share closing price. These stock options have an exercise price equal to the $7.99 grant date per share closing price, vest over three years (with one-third vesting on the first anniversary of the grant date and the remainder vesting in equal monthly increments thereafter), and have a term of 10 years.

As noted above, our Compensation Committee considered granting our executives long-term equity incentive awards that vest based upon performance targets rather than solely based on the provision of services to the company over time. The Committee concluded that time-based vesting for equity awards was the most effective way to encourage our executives to remain with us while the company is undergoing a period of strategic and operational transition.

Retention Grants – July 2019

As discussed in the "*Overview*" section, in July 2019, the Compensation Committee approved the Retention Grants. The Retention Grants were off-cycle RSU awards to certain NEOs and other key employees. With respect to the Retention Grants for NEOs, the Compensation Committee considered a number of factors, including the following:

- The impact of the decline in the company's stock price on the value of the annual equity awards made in February 2019, which had reduced the value of the annual equity awards by approximately 41% since the grant date;
- The disruption to the company's operating plans that may result if key employees, including the NEOs, were to leave the company at a critical stage in the company's anticipated transition back to growth;
- The competitive hiring market in the company's industry and the geographic areas where its offices are located;
- Challenges in hiring and retention recently experienced by the company; and
- Input from Exequity, Mr. Fox and the company's chief human resources officer concerning the foregoing.

The Compensation Committee concluded based upon these factors that it was advisable to make the Retention Grants to key employees to restore some of the retention and incentive impact of the February 2019 annual equity grants and to maintain competitive total compensation levels. The Committee also determined that an incremental award of 100% RSUs (rather than a combination of RSUs and stock options, as conveyed in the annual grant) would be a more effective means of retaining employees and adjusting total compensation levels because of the more predictable value of RSUs. Accordingly, the Compensation Committee approved the following NEO RSU awards:

Name	Retention Grant – Shares Underlying RSUs (#)	Retention Grant – LTI Value ($)
Marc Montagner	100,000	474,000
John Orlando	100,000	474,000
Christine Barry	175,000	829,500
David C. Bryson	25,000	118,500

The value of the RSUs shown in the table above is based on the $4.74 closing price per share of our common stock on the day the awards were granted.

The size of the Retention Grants reflected the Committee's subjective assessment of a number of factors, including: internal compensation equity between key senior management employees; peer group benchmarking data; and input from Exequity, Mr. Fox and the company's chief human resources officer. In addition to serving as a retention incentive, the Retention Grant to Ms. Barry was also intended to adjust her equity compensation for her promotion to chief operating officer –web presence in June 2019.

Benefits and Perquisites

For 2019, we provided our NEOs with the same benefits that are provided to all employees generally, including medical, dental and vision benefits, group term life and long-term disability insurance and participation in our 401(k) plan. We also provided our NEOs with umbrella liability insurance coverage, at our expense.

In addition to these benefits, we reimburse Mr. Fox for a portion of his expenses for use of his private aircraft to travel between his home in Arkansas and our headquarters in Massachusetts. Mr. Fox is a long-time resident of Little Rock, Arkansas, and performs his duties for the company from various locations, including his home in Little Rock, our corporate headquarters in Burlington, Massachusetts, and our other corporate locations. We believe Mr. Fox's travel by private aircraft benefits the company by allowing Mr. Fox to use his time efficiently and conduct company business confidentially during flights. In February 2018, the Compensation Committee and Mr. Fox agreed that reimbursements for flights between Arkansas and Massachusetts would be limited to $225,000 per year. In 2019, we reimbursed Mr. Fox for $225,000 in private aircraft expenses for travel during 2019 between Arkansas and our Massachusetts headquarters. Mr. Fox does not receive any gross-up payments for personal taxes he incurs on these reimbursements.

Severance and Change in Control Benefits

We believe that severance protections can play a valuable role in attracting and retaining key executive officers. In addition, severance protections in a change in control context help ensure leadership continuity and continued commitment during a time of transition, including a sustained focus on the best interests of stockholders and our company. Accordingly, we provide severance and change in control protection to our NEOs pursuant to their respective employment agreements and equity award agreements.

For detailed information about severance and change in control arrangements for our NEOs, see "*Employment and Compensation Arrangements with Named Executive Officers*" and "*Potential Payments upon Termination or Change in Control*" below.

Other Compensation Practices and Policies

Stock Ownership Guidelines

We have adopted stock ownership guidelines that are applicable to our non-employee directors who are not affiliated with either Warburg Pincus or Goldman Sachs and those employees who have been designated as "officers" for purposes of Section 16 of the Exchange Act. The guidelines require that:

- covered directors own equity in the company with a value equal to at least five times the director's annual cash retainer for board services;
- the CEO own equity in the company equal to at least five times his annual base salary; and
- all other covered executives own equity in the company equal to at least two times his or her annual base salary.

Newly hired and promoted covered executives and newly elected covered directors are expected to accumulate the applicable stock ownership level by the later of December 31, 2024 or the first December 31st that occurs following the five year anniversary of the date of hire, promotion or initial election, as applicable. The stock ownership guidelines also include certain share retention obligations that apply to covered executives and directors until they have met the applicable stock ownership level.

Anti-Hedging and Anti-Pledging Policies

Our insider trading policy prohibits directors, executive officers, and employees from buying our securities on margin, borrowing against our securities held in a margin account, pledging our securities as collateral for a loan, engaging in short sales of our securities, and buying or selling derivatives based on our securities.

Clawback Policy

We have adopted a clawback policy that applies to those employees who have been designated as "officers" for purposes of Section 16 of the Exchange Act. The clawback policy provides that in the event:

- we are required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws; and

- our Board determines that the act or omission of a current or former covered executive contributed to the circumstances requiring the restatement, and that such act or omission involved either (i) intentional misconduct or a violation of company rules or applicable legal or regulatory requirements or (ii) fraud,

then we will use reasonable efforts to recover from such person up to 100% (as determined by the Board its sole discretion as appropriate based on the conduct involved) of any incentive-based compensation (including stock options awarded as compensation) from the company during the 3-year period preceding the date on which the company is required to prepare such accounting restatement.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction to public companies for compensation in excess of $1 million paid in any one year to each of certain of the company's current and former executive officers. Historically, compensation that qualified under Section 162(m) as performance-based compensation was exempt from the deduction limitation. However, subject to certain transition rules, tax legislation signed into law on December 22, 2017 eliminated the performance-based compensation exception. As a result, for taxable years beginning after December 31, 2017, all compensation in excess of $1 million paid in any one year to each of the specified officers that is not covered by the transition rules will not be deductible by us. The Board of Directors reserves the right to use its business judgment to authorize compensation payments that may be subject to the limitations under Section 162(m) when the Board believes that compensation is appropriate and in the best interests of the company and our stockholders, after taking into consideration changing business conditions and performance of our employees.

Compensation Committee Report

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on this review and discussion, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the Board of Directors of Endurance International Group Holdings, Inc.

James C. Neary, Chairman
Joseph P. DiSabato
Justin L. Sadrian

Summary Compensation Table

The following table summarizes the total compensation paid to or earned by our NEOs during the years indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Jeffrey H. Fox(4)	2019	818,269	—	6,000,003	2,320,847	396,042	237,238(5)	9,772,399
President and Chief	2018	794,231	—	1,000,000	—	857,769	275,030	2,927,030
Executive Officer	2017	256,731	—	8,001,875	2,408,338	—	284,056	10,951,000
(Principal Executive Officer)								
Marc Montagner	2019	510,962	—	1,974,003	580,206	247,306	12,242(6)	3,324,719
Chief Financial Officer	2018	500,000	—	2,156,250	527,279	540,000	12,080	3,735,609
(Principal Financial Officer)	2017	493,269	200,000	2,499,997	—	421,641	11,783	3,626,690
John Orlando	2019	396,877	—	1,411,499	362,634	144,066	12,242(6)	2,327,318
Chief Marketing Officer	2018	383,073	1,500	937,500	306,557	310,289	12,706	1,951,625
	2017	355,269	—	1,649,999	—	202,697	12,533	2,220,498
Christine Barry(7)	2019	379,717	96,539(8)	1,392,004	217,572	112,319	12,238(6)	2,210,389
Chief Operating Officer – Web Presence	2018	355,115	—	225,000	73,574	191,762	12,080	857,531
David C. Bryson	2019	364,827	—	493,503	145,048	105,946	12,242(6)	1,121,566
Chief Legal Officer	2018	355,115	—	450,000	147,148	230,115	12,080	1,194,458
	2017	343,269	70,000	749,997	—	200,813	11,783	1,375,862

(1) Amounts in this column reflect the aggregate grant date fair value of share-based compensation awarded during the year computed in accordance with the provisions of Financial Accounting Standards Board Accounting Standard Codification Topic 718, or FASB ASC 718. The assumptions that we used to calculate these amounts are discussed in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

(2) Amounts in this column reflect the aggregate Black Scholes grant date fair value of stock options awarded during the year computed in accordance with the provisions of FASB ASC 718. The assumptions that we used to calculate these amounts are discussed in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

(3) Amounts in this column represent non-equity incentive plan compensation earned for the years shown based upon company and individual performance. See page 28 under "*Annual Bonus: 2019 Management Incentive Plan (MIP)*" above.

(4) Mr. Fox joined us as president and chief executive officer on August 22, 2017.

(5) Amount consists of reimbursements for private aircraft expense in the amount of $225,000 for travel in 2019, as described above on page 31 under "*Benefits and Perquisites*," matching contributions to our 401(k) retirement plan made by us on Mr. Fox's behalf in the amount of $11,200, and premiums paid for an umbrella liability insurance policy and an associated $24 tax gross-up.

(6) Amount consists of matching contributions to our 401(k) retirement plan made by us on the NEO's behalf in the amount of $11,200 and premiums paid for an umbrella liability insurance policy and an associated $28 tax gross-up for Messrs. Montagner, Orlando and Bryson and an associated $24 tax gross-up for Ms. Barry.

(7) Ms. Barry was not determined to be an NEO for 2017. Therefore, the Summary Compensation Table only includes compensation information for Ms. Barry for 2018 and 2019.

(8) Amount represents the discretionary portion of the amount paid to Ms. Barry under the 2019 MIP. See page 28 under "*Annual Bonus: 2019 Management Incentive Plan (MIP)*" above.

2019 Grants of Plan-Based Awards

The following table sets forth information regarding grants of plan-based awards made to our NEOs during the year ended December 31, 2019.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Jeffrey H. Fox	—	736,442	818,269	1,022,836				
	2/6/19					500,625	7.99	2,320,847
	2/6/19				750,939			6,000,003
Marc Montagner	—	459,866	510,962	638,703				
	2/6/19					125,155	7.99	580,206
	2/6/19				187,735			1,500,003
	7/31/19				100,000			474,000
John Orlando	—	267,892	297,658	372,072				
	2/6/19					78,223	7.99	362,634
	2/6/19				117,334			937,499
	7/31/19				100,000			474,000
Christine Barry	—	208,858	232,065	290,081				
	2/6/19					46,932	7.99	217,572
	2/6/19				70,401			562,504
	7/31/19				175,000			829,500
David C. Bryson	—	197,007	218,896	273,620				
	2/6/19					31,288	7.99	145,048
	2/6/19				46,934			375,003
	7/31/19				25,000			118,500

(1) The 2019 MIP was approved by the Compensation Committee in February 2019. These columns show the potential bonus payments for each NEO under the 2019 MIP as if both of the financial targets established for 2019 had been achieved at the threshold, target or maximum levels. The bonus payments under the 2019 MIP could range from zero if the threshold level of financial performance was not achieved for either financial target, to a maximum of 125% of the target level. The actual payments made to our NEOs under the 2019 MIP are shown in the Summary Compensation Table in the column titled "Non-Equity Incentive Plan Compensation" and, in the case of Ms. Barry, the columns titled "Non-Equity Incentive Plan Compensation" and "Bonus." For a description of the financial targets under the 2019 MIP, see page 28 under "*Annual Bonus: 2019 Management Incentive Plan (MIP)*" above.

(2) Represents restricted stock unit awards that vest annually over a three-year period beginning on the date of grant, with one-third of the shares vesting on each anniversary of the grant date.

(3) Represents stock options that vest over a three-year period beginning on the date of grant, with one-third vesting on the first anniversary of the grant and the remainder vesting in equal monthly installments thereafter.

(4) Amounts in this column reflect the aggregate grant date fair value of awards computed in accordance with the provisions of FASB ASC 718. The assumptions that we used to calculate these amounts are discussed in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table sets forth information regarding outstanding stock awards held as of December 31, 2019 by our NEOs.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Jeffrey H. Fox	476,325	136,094(2)	7.75	8/22/27		
	—	500,625(2)	7.99	2/5/29		
					250,000(3)	1,175,000
					91,959(4)	432,207
					750,939(4)	3,529,413
Marc Montagner	253,036	—	14.82	9/15/25		
	309,675	28,162(5)	11.10	4/28/26		
	79,629	63,704(2)	7.50	4/25/28		
	—	125,155(2)	7.99	2/5/29		
					28,154(6)	132,324
					50,003(4)	235,014
					143,341(4)	673,703
					187,735(4)	882,355
					100,000(4)	470,000
John Orlando	14,452	1,314(5)	11.10	4/28/23		
	18,488	3,156(5)	9.24	7/26/23		
	46,296	37,037(2)	7.50	4/25/28		
	—	78,223(2)	7.99	2/5/29		
					1,970(6)	9,259
					2,705(6)	12,714
					70,078(4)	329,367
					83,338(4)	391,689
					117,334(4)	551,470
					100,000(4)	470,000
Christine Barry	33,027	12,704(2)	8.20	10/24/27		
	11,111	8,889(2)	7.50	4/25/28		
	—	46,932(2)	7.99	2/5/29		
					22,871(4)	107,494
					20,001(4)	94,005
					70,401(4)	330,885
					175,000(4)	822,500
David C. Bryson	147,826	—	12.00	10/25/23		
	61,341	—	18.34	4/30/25		
	123,863	11,269(5)	11.10	4/28/26		
	22,222	17,778(2)	7.50	4/25/28		
	—	31,288(2)	7.99	2/5/29		
					11,263(6)	52,936
					31,854(4)	149,714
					40,002(4)	188,009
					46,934(4)	220,590
					25,000(4)	117,500

(1) Represents the fair market value of shares that were unvested as of December 31, 2019, based on the closing market price of $4.70 on December 31, 2019.

(2) Represents the unvested portion of the following option grants, which vest over a three-year period, with one-third of the shares vesting on the first anniversary of the vesting start date and the remainder vesting in equal monthly installments:

Grant Date	Vesting Start Date	Fox	Montagner	Orlando	Barry	Bryson
August 22, 2017	August 22, 2017	612,419	—	—	—	—
October 25, 2017	October 15, 2017	—	—	—	45,731	—
April 26, 2018	April 26, 2018	—	143,333	83,333	20,000	40,000
February 6, 2019	February 6, 2019	500,625	125,155	78,223	46,932	31,288

(3) These RSUs vest over a three-year period beginning on August 22, 2017, with 282,500 shares having vested immediately upon grant and the remainder vesting in three equal annual installments on each anniversary of the grant date through August 22, 2020.

(4) Represents the unvested portion of the following RSUs, which vest annually over a three-year period, with one-third of the shares vesting on each anniversary of the vesting start date:

Grant Date	Vesting Start Date	Fox	Montagner	Orlando	Barry	Bryson
May 12, 2017	April 15, 2017	—	—	210,191	—	95,541
October 25, 2017	October 15, 2017	—	—	—	68,598	—
February 9, 2018	February 9, 2018	137,931	75,000	—	—	—
April 26, 2018	April 26, 2018	—	215,000	125,000	30,000	60,000
February 6, 2019	February 6, 2019	750,939	187,735	117,334	70,401	46,934
July 31, 2019	July 31, 2019	—	100,000	100,000	175,000	25,000

(5) Represents the unvested portion of the following option grants, which vest over a four-year period, with 25% of the shares vesting on the first anniversary of the vesting start date and the remainder vesting in equal monthly installments:

Grant Date	Vesting Start Date	Montagner	Orlando	Bryson
April 28, 2016	April 1, 2016	337,837	15,766	135,132
July 26, 2016	July 15, 2016	—	21,644	—

(6) Represents the unvested portion of the following restricted stock awards or RSUs, as applicable, which vest annually over a four-year period, with 25% of the shares vesting on each anniversary of the vesting start date:

Grant Date	Vesting Start Date	Montagner	Orlando	Bryson
April 28, 2016	April 1, 2016	112,613	7,883	45,046
July 26, 2016	July 15, 2016	—	10,823	—

2019 Option Exercises and Stock Vested

The following table sets forth information regarding stock acquired upon vesting by our NEOs during the year ended December 31, 2019. None of the NEOs exercised any stock options during 2019.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
Jeffrey H. Fox	295,972	1,601,427
Marc Montagner	305,131	2,050,910
John Orlando	117,479	774,504
Christine Barry	32,863	152,277
David C. Bryson	68,217	464,200

(1) The number of shares acquired on vesting of stock awards reflects the gross number of shares vested, including shares that were sold to cover the payment of withholding taxes pursuant to the terms of our Amended and Restated 2013 Stock Incentive Plan or Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan, as applicable.

(2) Value determined by multiplying the number of vested shares by the closing market price of our common stock on the vesting date.

Employment and Compensation Arrangements with Named Executive Officers

Jeffrey H. Fox

Employment Agreement

We are party to an employment agreement with Mr. Fox dated August 11, 2017. Mr. Fox's employment is at-will and may be terminated by either us or Mr. Fox for any reason, at any time. The material terms of Mr. Fox's employment agreement are summarized below.

Base Salary and Bonuses; Airplane Usage

Mr. Fox's current base salary is $825,000, and he is eligible to earn an annual bonus in accordance with the MIP, with a target opportunity of 100% of his base salary. Pursuant to his employment agreement, Mr. Fox is also entitled to reimbursement for expenses for use of his private aircraft for company business purposes at a rate of $4,125 per hour. In February 2018, the Compensation Committee and Mr. Fox agreed that reimbursements for flights between his home in Arkansas and our headquarters in Massachusetts will be limited to $225,000 per year. Mr. Fox does not receive any gross-up payments for personal taxes he incurs on reimbursement for these flights. Please see page 31 for additional discussion of Mr. Fox's compensation, including aircraft reimbursements.

Payments upon Termination of Employment

In the event Mr. Fox is terminated without cause or he resigns his employment for good reason (as such terms are defined in his employment agreement), he will be entitled to the following severance payments:

- continued payment of his base salary for a period of 24 months;
- payment of two times his annual bonus at target for the year prior to the year of termination payable over a period of 24 months, or if the termination occurs within nine months prior to a change in control (provided that negotiations related to the change in control are ongoing on the termination date) or within two years after a change in control, payment of two times' the greater of (x) his annual bonus paid with respect to the year prior to the year of termination or (y) his annual bonus at target for the year of termination;
- a lump sum payment equal to $40,000; and

- payment of his annual bonus for the year of termination based on the company's actual performance against the performance goals established under the MIP for such year, prorated based on the portion of the year during which Mr. Fox provided services to the company.

In order to receive these severance payments, Mr. Fox must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including two year non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

If Mr. Fox's employment is terminated due to death or disability, he (or his estate or beneficiaries) will be entitled, subject to specified restrictive covenants, to payment of his annual bonus for the year of termination based on the company's actual performance against the performance goals established under the MIP for such year, prorated based on the portion of the year during which Mr. Fox provided services to the company. In addition, to the extent Mr. Fox holds any vested stock options upon such a termination, the vested options will remain exercisable for a period of three years (or the remainder of the option term, if shorter) following the termination date.

Equity Acceleration upon a Change in Control

Pursuant to Mr. Fox's employment agreement, in the event that, within nine months prior to a change in control (provided that negotiations related to the change in control are ongoing on the termination date) or within two years after a change in control, Mr. Fox is terminated without cause (other than due to disability or death) or he resigns his employment for good reason, he will be entitled to full acceleration of all unvested equity awards he holds as of his termination date, on the later to occur of the completion of the change in control and his termination date. Furthermore, in the event the acquiring or succeeding corporation in a change in control does not agree to assume Mr. Fox's outstanding equity awards as of immediately prior to the change in control, or to substitute substantially equivalent awards for the outstanding equity awards, then all of Mr. Fox's then outstanding but unvested equity awards will vest in full immediately prior to the change in control, and any such awards subject to performance standards will vest at the target amount associated with their grant, unless the Board or Compensation Committee determines that a higher level of vesting is appropriate.

Marc Montagner

Employment Agreement

We are party to an employment agreement with Mr. Montagner dated August 3, 2015. Mr. Montagner's employment agreement had an initial term of two years, beginning on September 15, 2015, and automatically renews for successive one-year terms, unless either we or Mr. Montagner provides written notice of non-renewal to the other party at least 90 days prior to the expiration of the then-current term, or if it is terminated earlier in accordance with its terms. The material terms of Mr. Montagner's employment agreement are summarized below.

Base Salary and Bonus

Mr. Montagner's current base salary is $530,450, and he is eligible to earn an annual bonus in accordance with the MIP, with a target opportunity of 100% of his base salary.

Payments upon Termination of Employment

In the event Mr. Montagner is terminated without cause or he resigns his employment for good reason (as such terms are defined in his employment agreement), he will be entitled to continued payment of his base salary for a period of 12 months, or if the termination occurs within the one-year period following a change in control (as such terms are defined in his employment agreement), 24 months; payment of his annual bonus at target over a period of 12 months, or if the termination occurs within the one-year period following a change in control, over a period of 24 months; and reimbursement on a monthly basis for the COBRA premiums that he would be required to pay to continue group health insurance coverage for a period of up to 18 months following his termination. In order to receive these severance payments, Mr. Montagner must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including 18-month non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

Equity Acceleration upon a Change in Control

The award agreements governing Mr. Montagner's equity awards provide that in the event we undergo a change in control and Mr. Montagner's employment is terminated without cause by us within the one-year period following the change in control, any remaining unvested portion of his equity awards will vest in full as of his termination date.

John Orlando, Christine Barry and David C. Bryson

Employment Agreement

We are party to an employment agreement with each of Messrs. Orlando and Bryson and Ms. Barry. Each of the employment agreements has substantially identical terms, except as summarized in the table below.

	Employment Agreement Date	Effective Date	Current Base Salary ($)(1)	Current Annual Target Bonus Opportunity under the MIP
John Orlando	March 27, 2017	February 14, 2017	413,060	75%
Christine Barry	October 29, 2018	October 29, 2018	412,000	75%
David C. Bryson	March 7, 2016	February 22, 2016	378,741	60%

(1) As of March 30, 2020.

Base Salary and Bonus

Each executive is paid a base salary and is eligible to earn an annual bonus in accordance with the MIP. Each executive's base salary and target bonus, presented as a percentage of their base salary, is summarized in the table above.

Term

Each of the employment agreements has an initial term of two years from the effective date and then automatically renews for successive one-year terms, unless either we or the executive provides written notice of non-renewal to the other party at least 90 days prior to the expiration of the then-current term, or if it is terminated earlier in accordance with its terms.

Payments upon Termination of Employment

In the event the executive is terminated without cause or resigns his or her employment for good reason (as such terms are defined in the applicable employment agreement), the executive will be entitled to continued payment of his or her base salary for a period of 12 months, or if the termination occurs within the one-year period following a change in control (as defined in the applicable employment agreement), 18 months; payment of annual bonus at target over a period of 12 months, or if the termination occurs within the one-year period following a change in control, over a period of 18 months; and reimbursement on a monthly basis for the COBRA premiums that the executive would be required to pay to continue group health insurance coverage for a period of up to 18 months following his or her termination. In order to receive these severance payments, the executive must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including 18-month non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

Equity Acceleration upon a Change in Control

The award agreements governing each executive's equity awards provide that in the event we undergo a change in control and the executive's employment is terminated without cause by us within the one-year period following the change in control (as such terms are defined in the applicable award agreement), any remaining unvested portion of his or her equity awards will vest in full as of his or her termination date.

Potential Payments Upon Termination or Change in Control

The table below shows the benefits potentially payable to each of our NEOs if his or her employment were terminated by us without cause or by the NEO for good reason, if there were a change in control of our company (regardless of whether the NEO was terminated), if a termination without cause or for good reason took place in connection with a change in control, or in the event of the NEO's death or disability. These amounts are based upon the severance and change in control provisions described above under "Employment and Compensation Arrangements with Named Executive Officers", and are calculated on the assumption that the employment termination and change in control both took place on December 31, 2019.

	Benefits Payable Upon Termination Without Cause/Good Reason			Benefits Payable Upon a Change in Control (regardless of termination)	Benefits Payable Upon Termination Without Cause/Good Reason in Connection with a Change in Control			Benefits Payable Upon Termination due to Death or Disability
Name	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)	Equity Acceleration ($)(2)	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)(2)	Severance Payments ($)
Jeffrey H. Fox	3,624,504	—	—	5,136,621(3)	3,636,042	—	5,136,621	396,042
Marc Montagner	1,030,000	38,986	—	—	1,545,000	38,986	2,393,395	—
John Orlando	701,807	48,164	—	—	902,315	48,164	1,764,498	—
Christine Barry	700,000	48,164	—	—	900,000	48,164	1,354,883	—
David C. Bryson	588,336	24,997	—	—	772,194	24,997	728,749	—

(1) Calculated based on the estimated cost to us of providing these benefits.

(2) Amounts represent the fair market value as of December 31, 2019 of any shares that would vest, based on the closing market price of $4.70 on December 31, 2019. The value of any option shares that would vest is reported as $0 because the exercise price of each option was higher than the closing market price per share of our common stock on December 31, 2019.

(3) Mr. Fox's outstanding but unvested equity awards would vest in full immediately prior to a change in control only if the acquiring or succeeding corporation does not agree to assume the equity awards, or to substitute substantially equivalent awards for the outstanding equity awards.

Pay Ratio

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to disclose the median of the annual total compensation of our employees, the annual total compensation of our chief executive officer, and the ratio of these amounts, which are shown for the year ended December 31, 2019 in the table below:

Median of the annual total compensation of all employees (excluding the CEO):	$ 43,284
Annual total compensation of the CEO:	$9,772,399
Ratio of annual total compensation of the CEO to the median of the annual total compensation of all employees:	226 to 1

The CEO to median employee pay ratio represents a reasonable estimate calculated in accordance with SEC regulations and guidance. Because SEC rules for identifying the median employee and calculating the pay ratio permit companies to use various methodologies and assumptions, to apply certain exclusions and to make reasonable estimates that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable with the pay ratio that we have reported.

We previously identified our median employee as of December 31, 2018. There has been no change in our employee population, our employee compensation arrangements or our median employee's circumstances that we believe would significantly impact the pay ratio disclosure. Therefore, as permitted by SEC rules, we calculated the 2019 pay ratio using the same median employee that we used to calculate our 2018 pay ratio.

As of December 31, 2018, the date of determination for the median employee, our total employee population consisted of approximately 3,903 individuals, of which 3,050 were employed in the United States and 853 were employed abroad, including in India, Brazil, the Netherlands and the United Kingdom. As permitted by SEC rules, for purposes of identifying the median employee, we excluded approximately 0.7% of our non-U.S. employee population consisting of approximately 6 individuals employed in the United Kingdom, resulting in an adjusted employee population of approximately 3,897 individuals. We identified the median employee from our adjusted employee population based on gross income for 2018 as reported on an IRS Form W-2 or foreign equivalent. We converted compensation paid to our India, Brazil and Netherlands employees to U.S. dollars using the applicable exchange rate based on the noon buying rate set forth by the Federal Reserve Board for December 31, 2018: $1.00 U.S. dollar to INR 69.5800 Indian rupees; $1.00 U.S. dollar to BRL 3.8804 Brazilian real; $1.00 U.S. dollar to €0.8729 Euro. We did not annualize the reported gross income of employees as of December 31, 2018 who joined us during 2018.

Using this methodology, we determined that the median employee was a full-time, salaried employee located in the United States. We then identified and calculated the elements of such employee's compensation for 2019 pursuant to the requirements for the Summary Compensation Table set forth in Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of $43,284.

Director Compensation

We compensate our directors who are neither employees of our company nor affiliates of Warburg Pincus or Goldman Sachs, or our eligible directors, for their service as directors. Accordingly, Mr. Fox, our chief executive officer, did not receive any additional compensation for his service as a director. In addition, neither Messrs. Neary, Reedy and Sadrian, each of whom is affiliated with Warburg Pincus, nor Mr. DiSabato, who is affiliated with Goldman Sachs, receive any compensation for their service as directors.

Cash Retainers. Effective April 29, 2019, our eligible directors are entitled to receive cash retainer fees in consideration of their Board service as follows:

Annual retainer fee for service on our Board	$80,000
Additional annual retainer fees for committee service:	
Audit Committee chair	$25,000
Audit Committee member	$12,500
Compensation Committee chair	$20,000
Compensation Committee member	$10,000
Nominating and Corporate Governance Committee chair	$15,000
Nominating and Corporate Governance Committee member	$ 7,500

Prior to April 29, 2019, the additional annual retainer fee for committee service was $20,000 for service as a committee chair and $10,000 for service as a committee member for all of our committees.

Per-Meeting Fees. In the event the Board holds more than five Board meetings in a calendar year (including special meetings held in person but excluding all telephonic Board meetings and all committee meetings), each eligible director will receive a per-meeting attendance fee of $5,000 for each Board meeting in excess of five that he or she attends in person during that calendar year. In 2019, the Board did not hold more than five in-person meetings, and therefore we did not pay any per-meeting fees to our directors.

Equity Compensation. On April 29, 2019, we granted each eligible director an award of 31,897 RSUs under our Amended and Restated 2013 Stock Incentive Plan. The shares underlying these RSU awards vest on the first anniversary of the grant date. We do not have a formal policy regarding director equity awards, and we may grant each eligible director additional equity grants during 2020.

Each member of our Board is entitled to reimbursement for reasonable travel and other expenses incurred in connection with attending Board meetings and meetings for any committee on which he or she serves.

2019 Eligible Director Compensation

The table below sets forth information regarding the compensation of our eligible directors for their service on our Board in 2019.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards(2) ($)	Total ($)
Andrea Ayers(3)	82,260	199,994	—	282,254
Dale Crandall	103,384	199,994	—	303,378
Tomas Gorny	80,000	199,994	—	279,994
Michael Hayford(4)	29,096	—	—	29,096
Peter Perrone	91,692	199,994	—	291,686
Alexi A. Wellman(5)	62,596	199,994	—	262,590

(1) Amounts in this column reflect the aggregate grant date fair value of share-based compensation awarded during the year computed in accordance with the provisions of FASB ASC 718. The assumptions that we used to calculate these amounts are discussed in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

(2) As of December 31, 2019, each of Messrs. Crandall, Gorny, Hayford and Perrone held outstanding options to purchase 78,250 shares of our common stock.

(3) Ms. Ayers joined the Board on February 6, 2019 and was appointed to the Nominating and Corporate Governance Committee as its chair on April 29, 2019.
(4) Mr. Hayford resigned from the Board effective April 29, 2019.
(5) Ms. Wellman joined the Board on April 29, 2019 and was appointed to the Audit Committee on the same day.

Equity Compensation Plan Information

The following table provides information as of December 31, 2019 about the securities authorized for issuance under our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	Weighted-Average Exercise Price of Outstanding Options and Rights(1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	14,281,788(2)	$10.57	12,959,690(3)
Equity Compensation Plans Not Approved by Security Holders	853,689(4)	$ 8.83	8,835,205(5)
Total	15,135,477	$10.41	21,794,895

(1) Does not take into account the shares issuable pursuant to RSUs, which have no exercise price.
(2) Consists of 5,276,679 shares subject to outstanding stock options and 9,005,109 shares subject to outstanding unvested RSUs, in each case issued under our Amended and Restated 2013 Stock Incentive Plan.
(3) Consists of shares available for future issuance pursuant to our Amended and Restated 2013 Stock Incentive Plan.
(4) Consists of 533,547 shares subject to outstanding stock options and 320,142 shares issuable pursuant to outstanding unvested RSUs, in each case issued under our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan.
(5) Consists of shares available for future issuance pursuant to our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock, as of March 23, 2020, by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our NEOs; and
- all of our executive officers and directors as a group.

The number of shares beneficially owned by each stockholder is determined under SEC rules and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, warrants or other rights held by such person that are currently exercisable or will become exercisable within 60 days after March 23, 2020 are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of all listed stockholders is c/o Endurance International Group Holdings, Inc., 10 Corporate Drive, Burlington, Massachusetts 01803. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable. Beneficial ownership representing less than 1% is denoted with an asterisk (*).

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
5% Stockholders		
Investment funds and entities affiliated with Warburg Pincus(1)	52,562,956	37.1%
Investment funds and entities affiliated with Goldman Sachs(2)	15,378,522	10.9%
Capital Research Global Investors(3)	11,304,955	8.0%
Okumus Fund Management Ltd.(4)	9,582,719	6.8%
The Vanguard Group(5)	7,420,294	5.2%
Named Executive Officers and Directors		
Jeffrey H. Fox(6)	1,894,707	1.3%
Marc Montagner(7)	1,360,198	1.0%
Christine Barry(8)	117,377	*
David C. Bryson(9)	856,684	*
John Orlando(10)	333,952	*
James C. Neary(11)	52,562,956	37.1%
Andrea J. Ayers(12)	31,897	*
Dale Crandall(13)	188,206	*
Joseph P. DiSabato(14)	15,378,522	10.9%
Tomas Gorny(15)	2,508,210	1.8%
Peter J. Perrone(13)	203,206	*
Chandler J. Reedy(11)	52,562,956	37.1%
Justin L. Sadrian(11)	52,562,956	37.1%
Alexi A. Wellman(12)	31,897	*
All executive officers and directors as a group (15 persons)	75,573,499	52.3%

(1) Consists of (i) 38,748,221 shares of our common stock owned by Warburg Pincus Private Equity X, L.P., (ii) 1,239,623 shares of our common stock owned by Warburg Pincus X Partners, L.P., both Delaware

limited partnerships (together, the “WP X Funds”) and (iii) 12,575,112 shares of our common stock owned by WP Expedition Co-Invest L.P., a Delaware limited partnership (“WP Co-Invest” and together with the WP X Funds, the “Warburg Pincus entities”). Warburg Pincus X, L.P., a Delaware limited partnership (“WP X LP”), is the general partner of the WP X Funds. Warburg Pincus X GP L.P., a Delaware limited partnership (“WP X GP”), is the general partner of WP X LP. WPP GP LLC, a Delaware limited liability company (“WPP GP”), is the general partner of WP X GP. Warburg Pincus Partners, L.P., a Delaware limited partnership (“WP Partners”), is the managing member of WPP GP and the general partner of WP Co-Invest. Warburg Pincus Partners GP LLC, a Delaware limited liability company (“WP Partners GP”), is the general partner of WP Partners. Warburg Pincus & Co., a New York general partnership (“WP”), is the managing member of WP Partners GP. Warburg Pincus LLC, a New York limited liability company (“WP LLC”), is the manager of the WP X Funds. The Warburg Pincus entities, WP X LP, WP X GP, WPP GP, WP Partners, WP Partners GP, WP, and WP LLC have shared voting and dispositive power over the shares owned by the Warburg Pincus entities. The business address of the Warburg Pincus entities is c/o Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017.

(2) Consists of (i) 6,656,301 shares of our common stock owned by GS Capital Partners VI Fund, L.P., a Delaware limited partnership; (ii) 5,536,478 shares of our common stock owned by GS Capital Partners VI Offshore Fund L.P., a Cayman Islands exempted limited partnership; (iii) 1,830,369 shares of our common stock owned by GS Capital Partners VI Parallel, L.P., a Delaware limited partnership; (iv) 236,565 shares of our common stock owned by GS Capital Partners VI GmbH & Co. KG, a German limited partnership; (v) 534,373 shares of our common stock owned by Bridge Street 2011, L.P., a Delaware limited partnership; (vi) 234,533 shares of our common stock owned by Bridge Street 2011 Offshore, L.P., a Cayman Islands exempted limited partnership; (vii) 349,502 shares of our common stock owned by MBD 2011 Holdings, L.P., a Cayman exempted limited partnership (collectively, the “GS Entities”) and (viii) 401 shares of our common stock owned by Goldman Sachs & Co. LLC (“GS”). GS is the investment manager for certain of the GS Entities; for a description of transactions between the company and GS, see page 17 for the “*Related Person Transactions*” section of this proxy statement. GS is a direct and indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc. (“GSG”). The GS Entities, of which affiliates of GSG are the general partner, managing general partner or investment manager, share voting and investment power with certain of its respective affiliates. All voting and investment decisions for the GS Entities are made by the Merchant Banking Division Corporate Investment Committee of GS, which is currently comprised of Richard A. Friedman, Nicole Agnew, Anthony Arnold, Thomas G. Connolly, Chris Crampton, Charlie Gailliot, Bradley J. Gross, Adrian M. Jones, Michael E. Koester, Scott Lebovitz, Julian Salisbury, Joseph P. DiSabato, Jo Natauri, Michael Bruun, Matthias Hieber, Martin A. Hintze, James H. Reynolds, Michele Titi-Cappelli, Sean Fan, Stephanie Hui, Tom McAndrew, Harvey Shapiro, Danielle Natoli, Carmine Venezia, and David Thomas, through voting by the committee members. The business address of GS and the GS Entities is c/o Goldman Sachs & Co. LLC, 200 West Street, 28th Floor, New York, New York 10282.

(3) Based on the Amendment No. 2 to Schedule 13G filed on February 14, 2020 by Capital Research Global Investors, a division of Capital Research and Management Company. In such filing, Capital Research Global Investors reports that it has sole voting and dispositive power over 11,304,955 shares of our common stock. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, California 90071.

(4) Based on the Amendment No. 4 to Schedule 13G filed on February 14, 2020 by Okumus Fund Management Ltd. (“Okumus”), Okumus Opportunistic Value Fund, Ltd. (“Okumus Value”) and Ahmet H. Okumus. In such filing, Okumus, Okumus Value and Mr. Okumus report that they each have shared voting and dispositive power over 14,573,400 shares of our common stock. The amount reported in the table above also reflects information from a Form 4 filed on March 20, 2020 by Okumus, Okumus Value and Mr. Okumus, including our repurchase of 5.0 million shares from Okumus. For more information about the repurchase, see page 17 for the “*Related Person Transactions*” section of this proxy statement. The address of Okumus and Mr. Okumus is 767 Third Avenue, 35th Floor, New York, New York 10017. The address of Okumus Value is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

(5) Based on the Schedule 13G filed on February 11, 2020 by The Vanguard Group. In such filing, The Vanguard Group reports that it has sole voting power over 153,937 shares, shared voting power over 32,225 shares, sole dispositive power over 7,242,345 and shared dispositive power over 177,949 shares of our common stock. The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(6) Includes 769,976 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days after March 23, 2020.

(7) Includes 28,154 shares of our common stock that remain subject to vesting as of March 23, 2020, 71,659 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 738,575 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days after March 23, 2020.

(8) Includes 9,999 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 72,266 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days after March 23, 2020.

(9) Includes 11,263 shares of our common stock that remain subject to vesting as of that date, 51,852 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 384,002 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days after March 23, 2020.

(10) Includes 113,710 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 124,656 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days after March 23, 2020.

(11) Messrs. Neary, Reedy and Sadrian are partners of WP and managing directors and members of WP LLC. All shares indicated as owned by Messrs. Neary, Reedy and Sadrian are included because of their affiliation with the Warburg Pincus entities.

(12) Consists of 31,897 shares subject to RSUs that will vest within 60 days after March 23, 2020.

(13) Includes 31,897 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 78,250 shares of our common stock subject to stock options that are exercisable within 60 days after March 23, 2020.

(14) GS is a direct and indirect wholly owned subsidiary of GSG. The shares are owned by GS and the GS Entities. The GS Entities, of which affiliates of GSG are the general partner, managing general partner or investment manager, share voting and investment power with certain of its respective affiliates.
Mr. DiSabato is a managing director of GS.

(15) Mr. Gorny is the grantor and trustee of The Tomas and Aviva Gorny Family Trust and the grantor of each of The Tomas and Aviva Gorny Irrevocable Trust and The Gorny 2013 Irrevocable Trust (collectively, the "Gorny Trusts"). As a result, Mr. Gorny may have voting and investment control over, and may be deemed to be the beneficial owner of, an aggregate of 2,302,782 shares of our common stock owned by the Gorny Trusts. The number of shares beneficially owned by Mr. Gorny also includes 31,897 shares subject to RSUs that will vest within 60 days after March 23, 2020 and 78,250 shares of our common stock subject to stock options that are exercisable within 60 days after March 23, 2020.

PROPOSAL 1

ELECTION OF DIRECTORS

Our restated certificate of incorporation provides for a classified board. This means our Board is divided into three classes, with each class having as nearly as possible an equal number of directors. The term of service of each class of directors is staggered so that the term of one class expires at each annual meeting of the stockholders.

Our Board currently consists of ten members, divided into three classes as follows:

- Class I consists of Alexi A. Wellman, Peter Perrone and Chandler Reedy, each with a term ending at this Annual Meeting.
- Class II consists of Dale Crandall, Tomas Gorny and Justin Sadrian, each with a term ending at the 2021 annual meeting.
- Class III consists of Andrea J. Ayers, Joseph DiSabato, Jeffrey H. Fox and James Neary, each with a term ending at the 2022 annual meeting.

At each annual meeting of stockholders, directors are elected for a full term of three years to succeed those directors whose terms are expiring. Ms. Wellman and Messrs. Perrone and Reedy are current directors whose terms expire at the Annual Meeting, and are each nominated for re-election as a Class I director, with a term ending in 2023. Ms. Wellman, who was identified as a candidate for board membership by a third party recruiting firm, joined the Board on April 29, 2019 and is standing for election for the first time at the Annual Meeting.

Unless otherwise instructed in the proxy, all proxies will be voted "FOR" the election of all of the Class I nominees identified above to a three-year term ending in 2023, each such nominee to hold office until his or her successor has been duly elected and qualified. Each of the nominees has indicated his or her willingness to serve on our Board, if elected. If any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by our Board. We do not expect that any of the nominees will be unable to serve if elected.

The Annual Meeting will be uncontested with respect to the election of directors. An uncontested election means that there are as many candidates standing for election as there are vacancies on the Board. As a result, each nominee for Class I director will only be elected if the number of votes cast "FOR" such nominee exceeds the number of votes cast "AGAINST" that nominee. See page 2 under "*Important Information about the Annual Meeting and Voting*" above for more information about our majority voting standard.

OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF MS. WELLMAN AND MESSRS. PERRONE AND REEDY.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are providing our stockholders the opportunity to vote to approve, on a non-binding advisory basis, the compensation of our NEOs as disclosed in this proxy statement in accordance with the SEC's rules. This proposal, which is commonly referred to as "say-on-pay," is required by Section 14A of the Exchange Act. Section 14A of the Exchange Act also requires that stockholders have the opportunity, at least once every six years, to cast a non-binding advisory vote with respect to whether future executive compensation advisory votes will be held every one, two or three years, which is commonly referred to as “say-on-frequency.” The stockholders voted “every year” at our 2016 annual meeting of stockholders, which was adopted by our Board. The next required non-binding advisory vote regarding say-on-frequency will be at our 2022 annual meeting of stockholders.

Our executive compensation program is designed to attract, retain and reward the best possible executive talent and to align our executives’ incentives with our business goals, the creation of stockholder value, and the long-term growth of our company. Key features of our executive compensation program include:

- Long-term incentives in the form of stock options, restricted stock and restricted stock units account for a significant majority of our executives’ compensation, which links executive and stockholder interests and rewards executives for appreciation in our stock price.
- Our annual cash bonus program, the Management Incentive Plan, is tied to the achievement of designated company performance targets, as well as to individual performance.
- Our executive compensation is benchmarked annually by our independent compensation consultant against a peer group of companies within a reasonable size range of us.
- Our NEOs do not have guaranteed base salary increases, bonuses, pension benefits, or “golden parachute” excise tax gross-up arrangements.
- We believe our compensation program does not encourage excessive risk taking.
- We prohibit hedging and pledging of our stock by employees, officers and directors.
- We have stock ownership guidelines that apply to our officers and directors.
- We have a clawback policy that applies to our officers.

We encourage stockholders to closely read the “Executive Compensation” section of this proxy statement beginning with the “Compensation Discussion and Analysis” on page 23, which describes our executive compensation program, certain best practices that it features, and the decisions made by our Compensation Committee and our Board with respect to 2019 executive compensation.

Our Board is asking stockholders to approve, on a non-binding advisory basis, the following resolution:

> RESOLVED, that the compensation paid to the named executive officers of Endurance International Group Holdings, Inc., as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in the proxy statement of Endurance International Group Holdings, Inc., is hereby approved.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not overrule any decision by us or our Board (or any committee thereof). However, our Compensation Committee and Board value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for NEOs.

OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS BY VOTING “FOR” PROPOSAL 2.

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of BDO USA, LLP, or BDO, an independent registered public accounting firm, to audit our books, records and accounts for the year ending December 31, 2020. This appointment is being presented to the stockholders for ratification at the Annual Meeting. BDO has served as our auditor since 2008.

BDO has no direct or indirect material financial interest in our company or our subsidiaries. Representatives of BDO are expected to be present at the Annual Meeting and will be given the opportunity to make a statement on the firm's behalf if they so desire. The representatives also will be available to respond to questions as appropriate.

The following table summarizes BDO's fees billed to us for each of the last two fiscal years. For the fiscal year ended December 31, 2019, audit fees include amounts not yet billed of approximately $816,974.

Fee Category	2018	2019
Audit Fees(1)	$2,060,725	$1,936,952
Audit-Related Fees(2)	$ —	$ 145,000
Tax Fees(3)	$ 35,196	$ 4,452
Total Fees	$2,095,921	$2,086,404

(1) Audit fees consist of fees for the audit of our financial statements, the review of the interim financial statements included in our quarterly reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or engagements.

(2) For the fiscal year ended December 31, 2019, audit-related fees consist of fees for the audit of our 401(k) plan and the audit of carve-out financial statements for a business unit we sold in 2019.

(3) Tax fees consist of the fees for the following two general service categories: tax compliance and return preparation and tax planning and consulting. For the fiscal years ended December 31, 2018 and December 31, 2019, we incurred fees of approximately $9,046 and $4,452, respectively, for tax compliance and return preparation, and fees of approximately $26,150 and $0, respectively, for tax planning and consulting.

Our Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, our Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

Our Audit Committee has also delegated to the chairman of our Audit Committee the authority to approve any audit or non-audit services to be provided to us by our independent registered public accounting firm. Any approval of services by the chairman of our Audit Committee pursuant to this delegated authority is reported on at the next meeting of our Audit Committee.

Unless otherwise instructed in the proxy, all proxies will be voted "FOR" the ratification unless stockholders specify otherwise. Although stockholder ratification is not required, we believe that it is advisable to give stockholders an opportunity to ratify this appointment. If Proposal 3 is not approved at the Annual Meeting, our Audit Committee may reconsider its appointment of BDO as our independent auditors for the year ending December 31, 2020. Even if the appointment is ratified, our Board and the Audit Committee in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of our company and our stockholders.

OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2020.

OTHER MATTERS

As of the date of this proxy statement, we know of no matter not specifically referred to above as to which any action is expected to be taken at the Annual Meeting. The persons named as proxies will vote the proxies, insofar as they are not otherwise instructed, regarding such other matters and the transaction of such other business as may be properly brought before the meeting, as seems to them to be in the best interest of our company and our stockholders.

Stockholder Proposals for 2021 Annual Meeting

Stockholder Proposals Included in Proxy Statement

To be considered for inclusion in the proxy statement and proxy card relating to our Annual Meeting of Stockholders to be held in 2021, or the 2021 Annual Meeting, stockholder proposals must include the information set forth in our amended and restated bylaws and be received at our principal executive offices no later than December 10, 2020. However, if the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's annual meeting on May 20, then the deadline is a reasonable time before we begin to print and mail proxy materials. Upon receipt of any such proposal, we will determine whether or not to include such proposal in the proxy statement and proxy card in accordance with regulations governing the solicitation of proxies.

Stockholder Proposals Not Included in Proxy Statement

We must receive notice of other proposals of stockholders (including director nominations) intended to be presented at the 2021 Annual Meeting but not included in the proxy statement by February 19, 2021, but not before January 20, 2021. However, in the event the 2021 Annual Meeting is scheduled to be held on a date before April 30, 2021, or after July 19, 2021, then these notices may be received by us at our principal executive office not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of (1) the 90th day before the scheduled date of such annual meeting and (2) the 10th day after the day on which notice of the date of such annual meeting was mailed or we first make a public announcement of the date of such annual meeting, whichever first occurs. All such notices must contain the information required by our amended and restated bylaws, and any proposals we do not receive in accordance with the above standards will not be voted on at the 2021 Annual Meeting.

Householding of Proxy Statement

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that if you elected to receive printed materials, only one copy of this proxy statement may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of this proxy statement to you if you call us at (781) 852-3200 or write us at the following address or phone number: Corporate Secretary, Endurance International Group Holdings, Inc., 10 Corporate Drive, Burlington, Massachusetts 01803. If you would like to receive separate copies of our proxy statements and annual reports in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and phone number.

APPENDIX A

Supplemental Information about Non-GAAP Financial Measures

The following table presents a reconciliation of net income calculated in accordance with GAAP to adjusted EBITDA:

	Twelve Months Ended December 31,	
	2018	2019
	(in thousands)	
Net income (loss)	**$ 4,534**	**$ (12,347)**
Interest expense, net(1)	148,391	143,454
Income tax (benefit) expense	(6,246)	17,879
Depreciation	48,207	44,951
Amortization of other intangible assets	103,148	85,183
Stock-based compensation	29,064	35,692
Restructuring expenses	3,368	1,992
Gain on sale of business	—	(40,700)
Loss of unconsolidated entities	267	—
Impairment of goodwill and other long-lived assets	—	37,540
Shareholder litigation reserve	7,325	—
Adjusted EBITDA	**$338,058**	**$313,644**

(1) Interest expense includes impact of amortization of deferred financing costs, original issue discounts and interest income.

The following table presents a reconciliation of cash flow from operations to free cash flow:

	Twelve Months Ended December 31,	
	2018	2019
	(in thousands)	
Cash flow from operations	**$182,552**	**$161,973**
Less:		
Capital expenditures and financed equipment(1)	(53,319)	(47,315)
Free cash flow	**$129,233**	**$114,658**

(1) Capital expenditures during the twelve months ended December 31, 2018 include $7.4 million of principal payments under a three year agreement for equipment financing. Capital expenditures during the twelve months ended December 31, 2019 include $8.2 million of principal payments under a two year agreement for equipment financing. The remaining balance on the equipment financing is $0.8 million as of December 31, 2019.

BOARD MEMBERS AND EXECUTIVE TEAM

BOARD OF DIRECTORS

James C. Neary (Chairman)
Managing Director, Partner
Warburg Pincus

Andrea J. Ayers
Former Chief Executive Officer
Convergys Corporation

Dale Crandall
President and Founder
Piedmont Corporate Advisors

Joseph P. DiSabato
Managing Director
Goldman Sachs

Jeffrey H. Fox
President and Chief Executive Officer
Endurance International Group

Tomas Gorny
Chief Executive Officer and Chairman
Unitedweb

Peter J. Perrone
Chief Financial Officer
AtScale

Chandler J. Reedy
Managing Director, Partner
Warburg Pincus

Justin L. Sadrian
Managing Director, Partner
Warburg Pincus

Alexi A. Wellman
Chief Financial and Accounting Officer
Altaba

EXECUTIVE OFFICERS

Jeffrey H. Fox
President and Chief Executive Officer

Marc Montagner
Chief Financial Officer

Christine Barry
Chief Operating Officer – Web Presence

David C. Bryson
Chief Legal Officer

John Orlando
Chief Marketing Officer

Kimberly S. Simone
Chief Operating Officer – Digital Marketing

ENDURANCE
International Group

Constant Contact HostGator bluehost DOMAIN.COM