



GoDaddy Inc. (NYSE: GDDY)

5-Year IRR: 8.7%

Implied Upside: 51.5%

Technology, Media & Telecommunications

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I.

Business Overview



Business Overview



Established in 1997, GoDaddy has quickly grown to become a leading global provider of Internet services

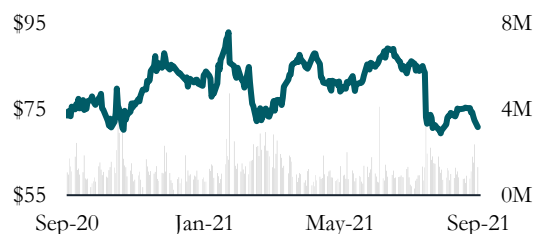
Business Overview

- GoDaddy Inc. engages in the design and development of cloud-based technology products in the United States and internationally
- The company has three reporting operating segments: domain name registration products, web hosting services and website-focused business applications
- GoDaddy Inc. was founded in 1997 and is headquartered in Scottsdale, Arizona

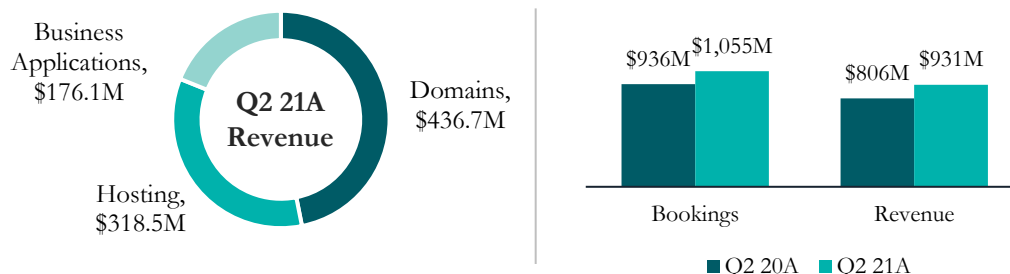
Key Financials

Ticker	NYSE: GDDY
Share Price	\$69.79
Enterprise Value	\$14.28B
Market Capitalization	\$11.81B
TTM EV / uFCF	18.5x

52-Week Performance



Traction



Key Management



Amanpal Bhutani, CEO
Expedia, JPM, NYT



Mark McCaffrey, CFO
PwC, BDO, CSU



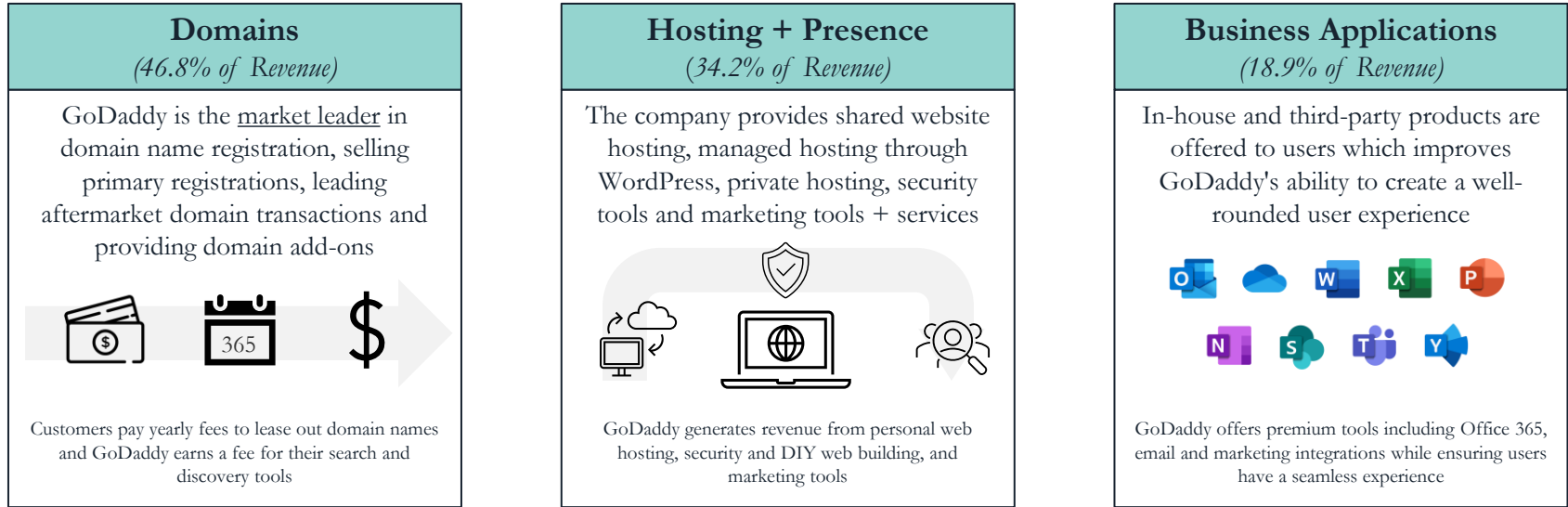
Charles Beadnall, CTO
Yahoo!, Verisign, Metaweb



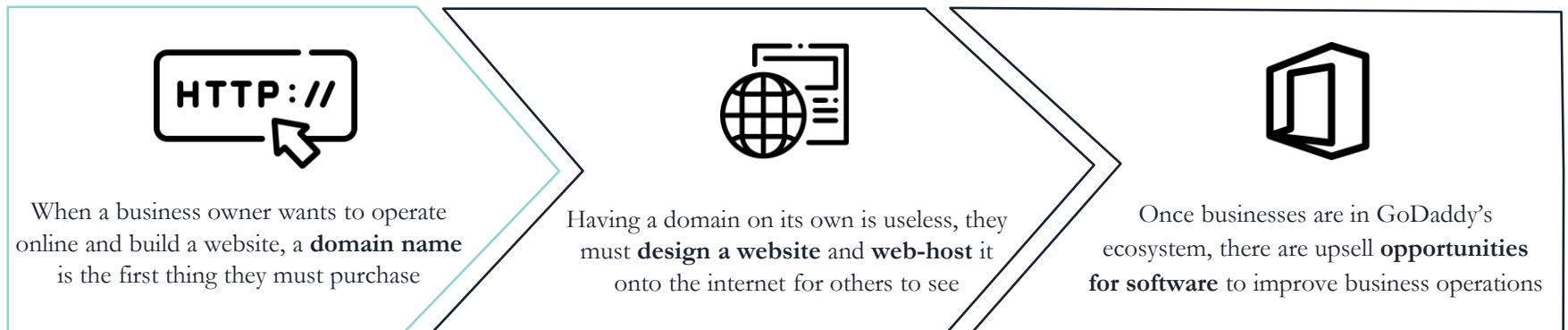
Business Overview: Value Chain



GoDaddy's current business captures customers and keeps them within their ecosystem



Customer Journey Funnel



Business Overview: Demand Breakdown



GoDaddy has captured customers across the entire website value chain with outstanding unit economics

Independents



Micro-businesses with <5 employees

Key Characteristics: varying needs, urge to scale business, low design skills

Partners



“Do-it-for-you” designers for businesses

Key Characteristics: care about payment systems, technically experienced

Domain Registrars & Investors



Already own domain registrars

Key Characteristics: care about high exposure to domain demand

GoDaddy Caters to Customer Needs

- For beginner designers, GoDaddy offers a do-it-yourself mobile-optimized online tool to build websites easily and automatic cloud platforms help enhance the information on websites to optimize SEO and exposure
- For sophisticated designers, GoDaddy provides high-performance, flexible hosting and security products that can be used with a variety of open-source design tools as well as Managed WordPress
- GoDaddy also offers a complete “do-it-for-me” service managing engagement on the most popular social networks

Exceptional Unit Economics

Avg Bookings per Customer	\$168
Gross Profit Contribution	64%
Annual Gross Profit	\$107
Annual Churn	<15%
Estimated Lifetime Annual Gross Profit	\$835
Avg Cost to Acquire a Customer	\$76
LTV / CAC	>10x

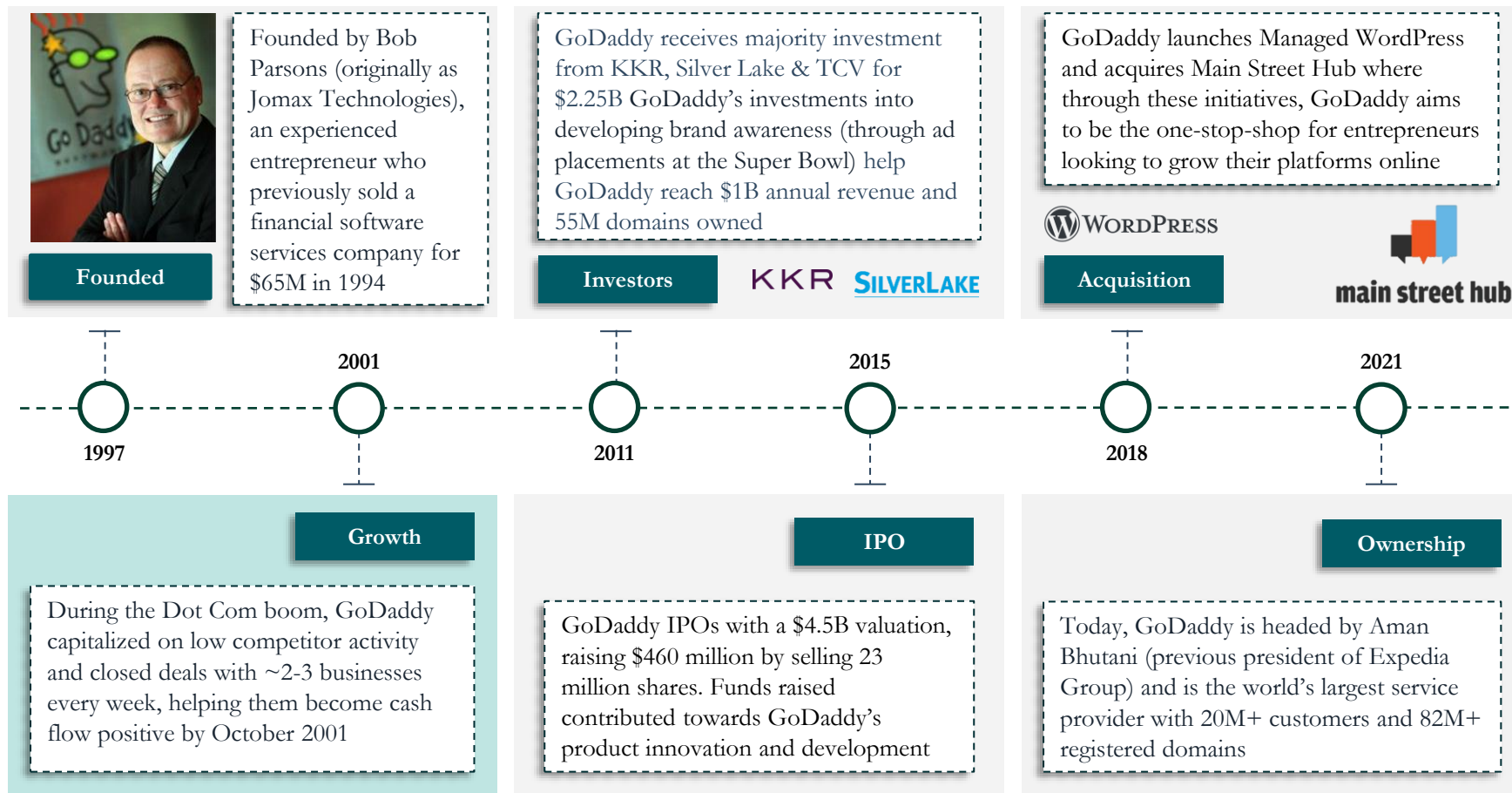


Business Overview: Corporate Timeline



GoDaddy's leadership team and investment partners have greatly contributed to the company's modern-day success

Corporate Timeline



II.

External Analysis



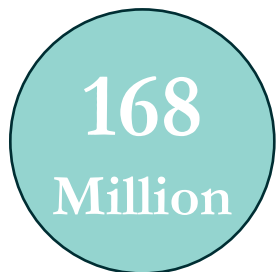
External Analysis: Market Potential



GoDaddy operates in an industry that continues to grow with more than enough room for multiple winners

Domain Hosting

Q1 2021 saw



.com and .net domain
name registrations

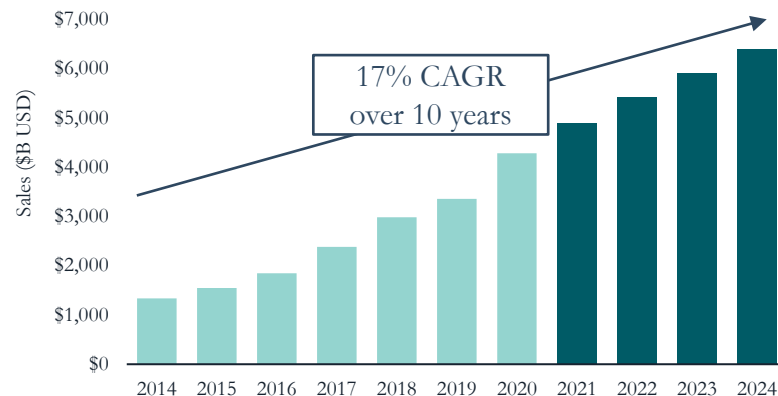
Compared to Q1 2020

7.3M increase

4.6% increase

The global market for
Web Hosting Services is
forecast to reach US
\$204.6B by 2024

E-Commerce



SMB Website Usage Trends

30.7M

Small Businesses

36%

Don't have a website



Due to the lack of technical skills that small businesses have, they are deterred from establishing an online presence

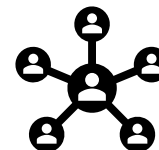
51%

SMBs reported
seeing an increase in
online transactions



The impacts of COVID-19 left many businesses without an online presence struggling to remain in operation

Purchase frequency
on omnichannel is
250%
vs. single channel



Businesses are shifting from traditional to omnichannel selling strategies via services such as GoDaddy and Shopify



External Analysis: Barriers in CSP



Technological hurdles associated with legacy infrastructures, including compressed margins and costly infrastructure, are pushing the accelerated growth of incumbent cloud service providers (CSPs)

Barriers to Entry

Compressed Margins

To operate their businesses, traditional IT shops relied on the margin acquired from client/server licensing fees, hardware sales, and most importantly “billable onsite service” hours. This segment is **finding it difficult to transition to sell and support cloud-based services, in large part due to the margin contraction for selling cloud services solutions.**

Costly Infrastructure

Traditional IT firms **do not have the infrastructure, support personnel, or economies of scale to transition** from primarily expensive onsite support to remote, cost-efficient telephone sales and support systems required for implementing a cloud-based organization.

Market Timing

GoDaddy’s growth was **accelerated by external market conditions such as the Dotcom bubble, and the popularization of Web 2.0.** This resulted in the macro awareness that websites and having an online business is where the future was heading so consumers flocked towards the industry. During this time, **GoDaddy dropped prices and focused heavily on marketing and brand awareness** – with massive success coming from their Superbowl ads. Consumer awareness levels was comparable to Coca-Cola and GoDaddy has been the go-to hosting service since.



External Analysis: Key Players



GoDaddy differentiates themselves against key players within the web hosting space

	GoDaddy	namecheap	SQUARESPACE	shopify	WIX
Domain Registrations	84 million	13 million	Expensive/Limited	Expensive/Limited	Expensive/Limited
Technical Skill Required	None	Coding Needed	None	None	None
Managed WordPress	✓	✓	✗	✗	✗
Standardized Checkout	✗	✗	✓	✓	✓
Email & Marketing Tools	✓	✗	✓	✓	✓
Payment Processing	✓	✗	✓	✓	✓
Office 365 Integration	✓	✗	✗	✗	✗
E-Commerce Capabilities:	Limited	✗	Limited	✓	Limited
Website Hosting	✓	✓	✓	✓	✓
Ideal Customer Profile	Entrepreneurs who are looking to establish an online presence with little to no technical skills/experience	Those who have experience with website design and marketing and only looking to purchase a domain	Built for owners who want to create a truly on-brand web experience without hiring full-time webmasters	Business owners who want to create an e-commerce website that sells goods and manages inventory	A beginner friendly website to test out website building through an unstructured and simple editor



III.

Internal Analysis



Internal Analysis: Capital Management

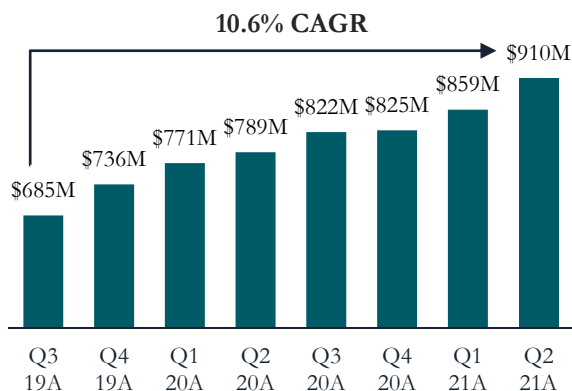


A treasured history of responsible cash outlays have resulted in a consistent free cash flow growth

Responsible Capital Deployment over the Last 5 Fiscal Years

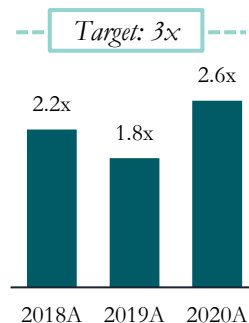


LTM UFCF¹ – Cash Cow!



Disciplined Leverage Management

Net Leverage Ratio



Debt Maturities

Term Loan	Maturity
\$1.8B	2024
\$748M	2027
Unsecured Loan	Maturity
\$600M	2027
\$800M	2029

Variable Rate Exposure



GoDaddy has **over \$5B in deployable capital** over the next three years

(1) Does not include business acquisitions under CapEx
Sources: Company Filings, Management Presentations

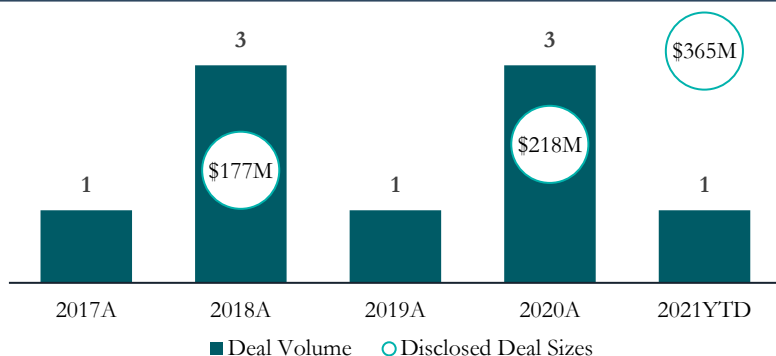


Internal Analysis: Reinvesting Capital Aggressively



GoDaddy has historically made a myriad of acquisitions

M&A History



Historical Acquisitive Rationale

- One of the largest line items on web hosting companies' P&L is hardware capex, and so the merging of brands can create **economies of scale to spread the fixed cost**
- Expanding geographic presences into unpenetrated markets for the acquirer, where especially within the SMB market, **geographical targeting determines winners**
- **Leverage existing resources of a larger business** to scale smaller businesses, making transactions highly accretive
- Commoditization of hosting technologies leads to **diversification acquisition strategies** – the acquirer wants to capture select technologies that enhance their current product offerings
- Financial profiles of acquisitions are consistently providing recurring streams and high margins with scalable potential, all of which is **increasing the downside protection** of these investments
- Innovation is key to attracting and retaining customers in private cloud infrastructures, and the **acquisition of a coveted team of innovative experts can expand the acquirer's human capital**
- One host can absorb another host's entire customer base while retaining just a few of their staff, mainly support, therefore **lowering the per customer cost and improving core unit economics of the company**

Target	Date
Sucuri, Inc.	Apr 3 rd , 2017
Main Street Hub, Inc.	Jan 30 th , 2018
Cognate, Inc.	Sep 11 th , 2018
Plasso, Inc.	Sep 24 th , 2018
Sellbrite, Inc.	Apr 10 th , 2019
Over, Inc.	Jan 29 th , 2020
Neustar, Inc. (Registries)	Aug 5 th , 2020
SkyVerge, Inc.	Sep 14 th , 2020
Poynt Co.	Feb 9 th , 2021



Internal Analysis: Reinvesting Capital Aggressively



Acquisitive opportunities reinforced long-term EBITDA growth even without sizeable synergies

Illustrative Case Study

- The widespread consolidation within the web hosting industry is indicative of how roll-ups were almost like “clockwork”:
 - All companies need to do is find a smaller web hosting company with stronger than average margins, and the roll-up likely makes financial and strategic sense due to the rationale on the prior slide
- GoDaddy does not disclose post-acquisition metrics, and so assuming some mediocre synergies, the table shows how GoDaddy has created strong EBITDA through acquiring with cheap leverage

	GoDaddy	Target 1	GoDaddy + Target 1	Target 2	GoDaddy + T1 and 2
LTM Revenue	\$3,500.0	\$15.0	\$3,515.0	\$10.0	\$3,525.0
LTM EBITDA	\$540.2	\$3.8	\$549.0	\$2.0	\$556.0
EBITDA %	15.4%	25.0%	15.6%	20.0%	15.8%
Purchase EV/EBITDA		20.0x		17.5x	
Purchase Price		\$75.0		\$35.0	
Synergies		\$5.0		\$5.0	
Existing Net Debt	\$1,404.5		\$1,620.6		\$1,646.9
Leverage	2.6x		3.0x		3.0x
Debt at 3.0x Leverage	\$1,620.6		\$1,646.9		\$2,223.8
Incremental Debt Capacity	\$216.1		\$26.3		\$577.0

If maintaining the target 3.0x leverage proforma, buying expensive companies with ignorable synergies still doesn't cap GoDaddy's debt deployment.



IV.

The Opportunity

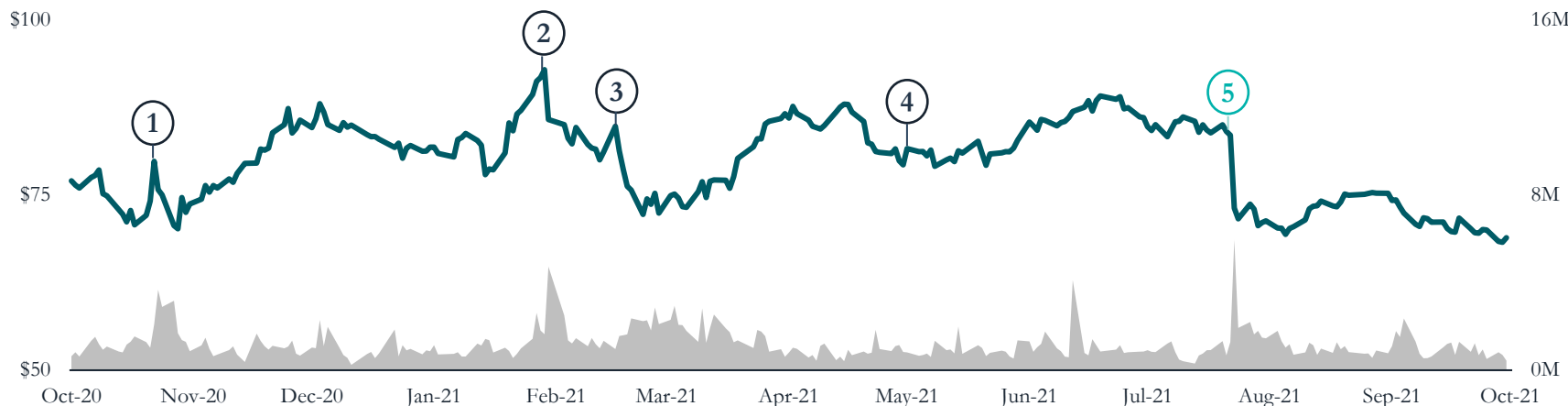


The Opportunity: YTD Stock Behaviour



Investors have consistently been overly bearish on GoDaddy despite consistent revenue outperformance

52-Week Stock Performance



1 Nov 05, 2020 — Q3 2020 earnings surpassed investor expectations with their revenue up by 11% YoY, beating consensus by 1.1%

2 Feb 11, 2021 — Q4 2020 earnings surpassed investor expectations with revenue increasing 12% YoY, beat consensus by 1.0%

3 Mar 01, 2021 — Industry wide tech selloff due to fears of fast-rising interest rates

4 May 05, 2021 — Q1 2021 earnings, revenue increased 13.8% YoY, share repurchase of 2% of outstanding shares

5 Aug 04, 2021 — Q2 2021 earnings, revenue increased by 15.5% YoY, earnings missed consensus by 10%



The Opportunity: Downward Price Pressure



Investor reaction to Q2 2020 earnings indicate an unjust willingness to discount GoDaddy

Q2 2021 Earnings Summary

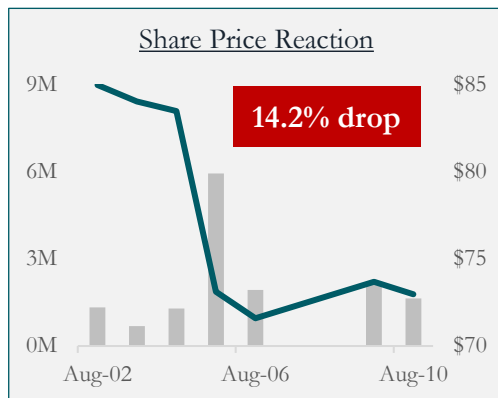
- ✓ Revenue up 15.5% YoY and surpassed consensus by 1.2%
- ✓ Revenue growth was achieved by *all* segments
- ✓ Gross margin was up 24 basis points from prior-year quarter
- ✓ Operating income was up 384% YoY
- ✓ Management expects revenue growth of 12% YoY (no revision)

Market Overreaction to Earnings Miss

Earnings Miss	\$5.21
Multiplier Impact	25x
Street EBITDA Margin	27.50%
EBITDA Loss	\$35.82
Street Tax Rate	0%
NOPAT	\$35.82
(+) Change in WC	\$1.10
FCF	\$36.92
Terminal Value	\$0.00
Calculated Change in Equity Value	\$36.92
Shares Outstanding	171.8
Justified Price Decline	\$0.21
Share Price Decline after Earnings	\$9.49

Market Overreaction (%) 10.98%

✗ Earnings of \$46.9M was up from (\$672.3M) in the prior-year quarter, but **missed consensus by 10%**



GoDaddy continuously faces downward pricing pressure, creating a favourable opportunity for outperformance.



The Opportunity Summary



Buying GDDY provides an opportunity to invest in a strong and overlooked goliath of Internet services

Prevailing View

✗ GoDaddy's bread-and-butter segment of domain services is a commoditized industry with limited growth potential

✗ Web hosting has many players (e.g. SQSP, WIX) with more customizable offerings, making GoDaddy an afterthought in non-domain offerings

✗ Decelerating revenue growth is indicative of a larger core problem in the business: churn is being driven by clients switching to competitors

✗ GDDY entering the payments and e-commerce scene is an act of desperation, and an irresponsible one given Shopify's position in the space

Contrarian View

✓ Domains allows for an “entry” into a customer's CSP stack, then provides fertile space to cross and up-sell into the widest offering in the industry

✓ Web hosting is young yet vast – there is room for many winners, but GoDaddy's entrance through domains makes them the most attractive value creator

✓ We don't think of customer acquisition in this industry as “me vs. them” or stealing from competitors, but rather who do clients choose when they first make a website

✓ Shopify is not a monopoly, and GoDaddy's existing base of 20M willing customers will make an attractive ramp-on to scale free cash flow generation

For these reasons GoDaddy has an asymmetric upside opportunity.



V.

Investment Thesis

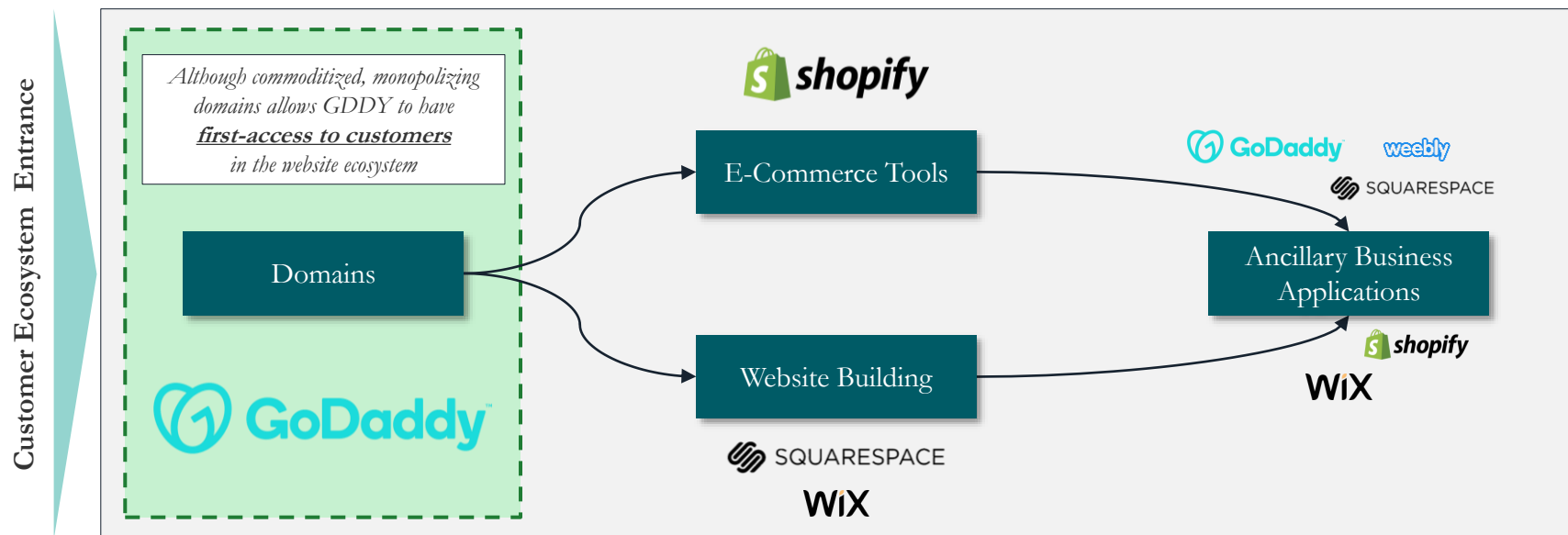


Investment Thesis: Accruing Customer Journey



GDDY's defensible strategy of monopolizing the entry-point of website management is superior

Conglomerates in the Website Customer Journey



Why Domain Entry is Ideal, Even if Commoditized

“When somebody says ‘I want to have a website’ they usually start with the URL, **the first thing they’ll do is find a name, right?**”

“Compared to competitors, customers ask during up-sell ‘Wait, I haven't even got my website up, now you're trying to sell me something?’ Whereas a domain, they typically bought a domain because they do want to do something with it. So, the conversation was, ‘What do you want to do with this?’ ‘I want to have a website.’ right? **It was more natural from domain.**”

– Former VP of Product Management at GoDaddy

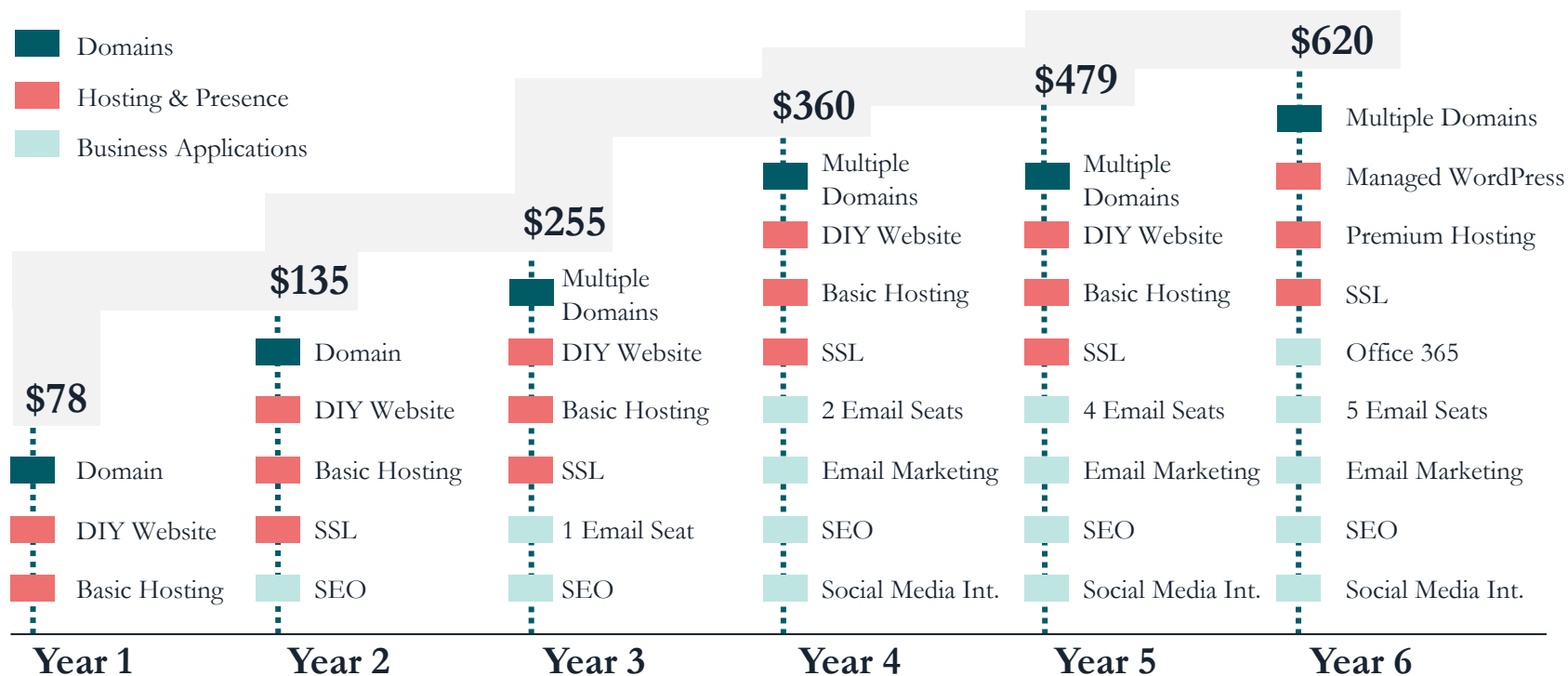


Investment Thesis: Accruing Customer Journey



An entrenching user ecosystem exponentially increases switching costs as time goes on

Common Customer Journey



Takeaways

1. As SMBs scale operations GoDaddy is right there to offer appropriate cloud services
2. Years 4-5 show GoDaddy's ability to solely increase prices (indicating customer's high propensity to pay and switching costs)
3. Business applications is the highest scaling service without being initially offered
4. Almost every service offering of GoDaddy has a pricing upgrade



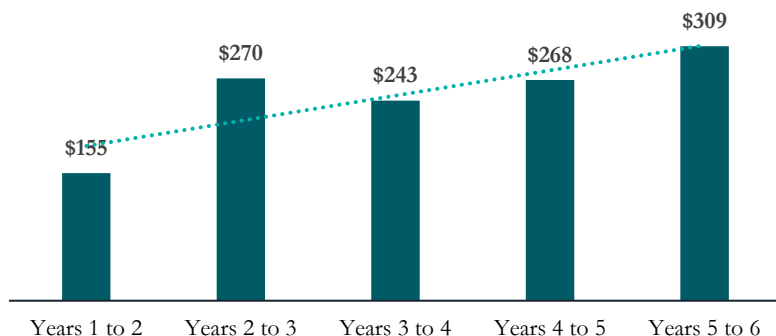
Investment Thesis: Accruing Customer Journey



Cross and up-sell play an underrated role of value creation at GDDY

Illustrative Value Creation

FV of Annual Incremental FCF from Easy Up-Sells



Years 4 to 5 Calculation

Incremental Revenue per Customer	\$119
Annual Churn	15.0%
Annual Incremental Revenue	\$793
Street EBITDA Margin	27.5%
Street Tax Rate	0%
Street Change in WC ¹	\$50
FV of Annual Incremental FCF	\$268

Why Churn is Consistently Less Than 15%



Heidi Gibson

Senior Director of Product Management

“So, we own the in-product experience, which is a very complicated experience for a website builder. We have recommendations on what else you can do with your site like email marketing, optimizing SEO, Facebook, etc. **As customers engage, they lock themselves deeper into the GoDaddy ecosystem** by having all their cloud marketing done by us.”

“Even if the domain is not activated on a GoDaddy product, which is of course, our number one goal, if it's activated on someone else's product, there still more likely to renew that domain and keep paying us. If we can get that customer to activate that domain on one of our products, either like email productivity products or ideally our website products, then **the value of that customer increases dramatically so that the financial reward to GoDaddy, it is 10X.**”

Even without inorganic growth, GoDaddy's stellar ability to offer and up-sell all aspects of the cloud experience allows them to milk value from existing customers – all with a low risk of churn.

(1) Only broke down deferred revenue, as other non-cash and WC accounts would be minimally impacted on an incremental basis
Sources: Churn Podcast, Company Filings

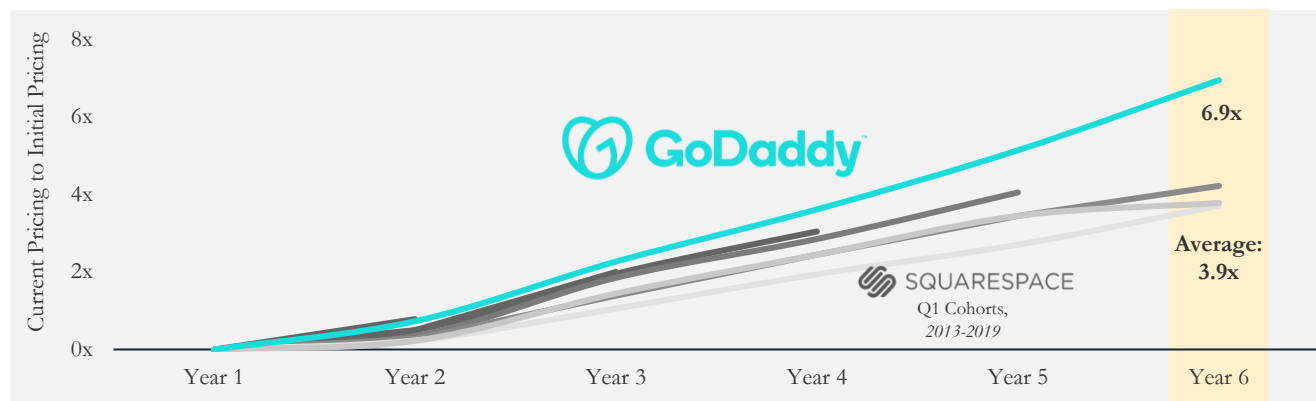


Investment Thesis: Accruing Customer Journey



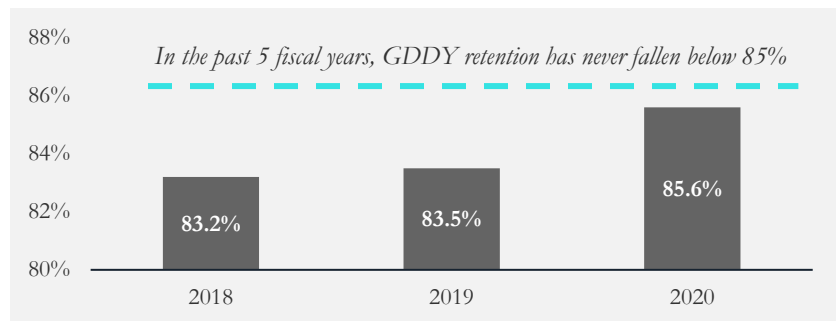
In an industry where top-line dictates success, why does a company with superior price and volume dynamics trade at a severe discount (even after accounting for growth profiles)?

Cohort Up-Sell Analysis



By year 6, GoDaddy outperforms Squarespace up-sell by over 300% of initial price

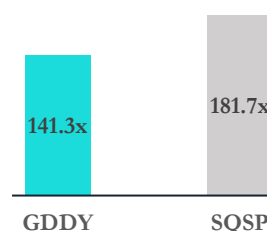
Continuous Retention Surplus



For Squarespace's entire reporting history, **GoDaddy outperforms churn by at least 3%**

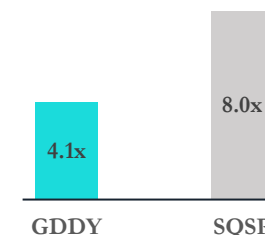
Multiple Discrepancy

Growth-Normalized EV/uFCF



22.2% discount

EV/Revenue



48.2% discount



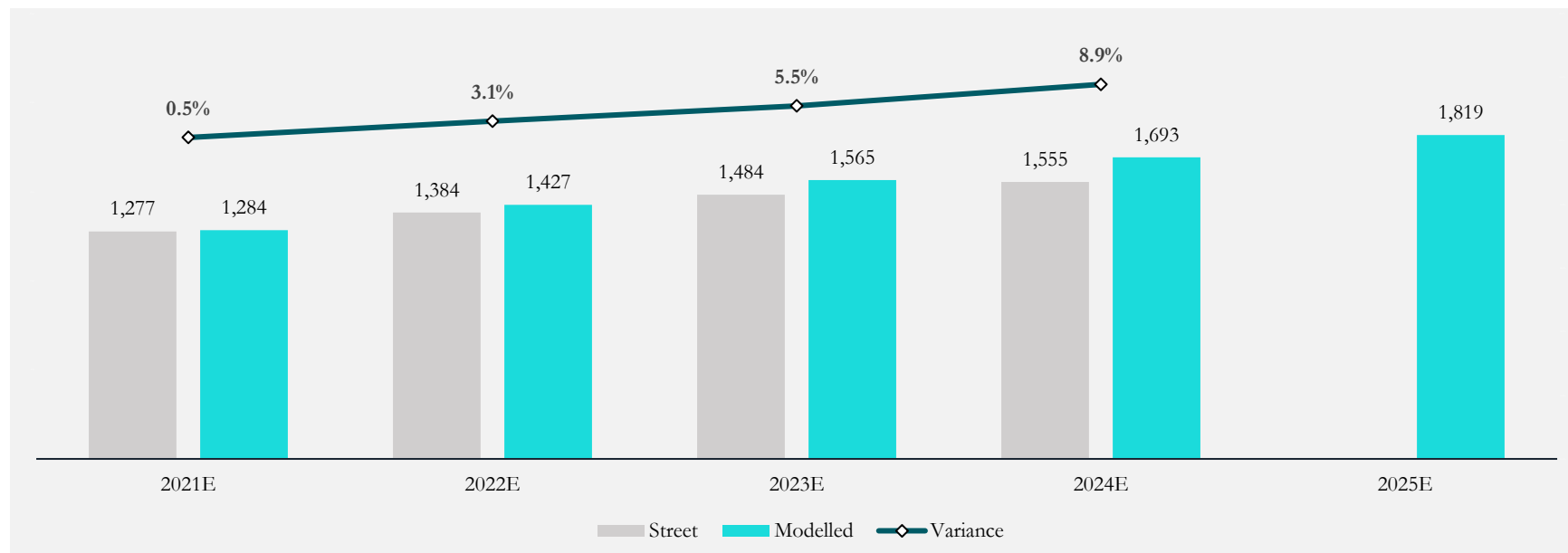
Investment Thesis: Accruing Customer Journey



A thesis rooted in divergence from street expectations of hosting revenue is reflected in the DCF

Model Variance Against Street

Fiscal Period	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Average revenue per customer – H&P	139.11	138.57	137.58	142.74	149.16	155.12	161.02
YoY % Growth, ARPU– H&P	2.66%	(0.39%)	(0.72%)	3.75%	4.50%	4.00%	3.80%
Street Consensus Estimates			(0.59%)	3.26%	4.14%		
Revenue - Hosting + Presence	1,126.50	1,200.60	1,284.19	1,426.57	1,565.31	1,693.03	1,818.88



Investment Thesis: Traditional Value Opportunity



GoDaddy is being fundamentally undervalued by the market and can be expected to be a strong/consistent cash generating asset in our portfolio

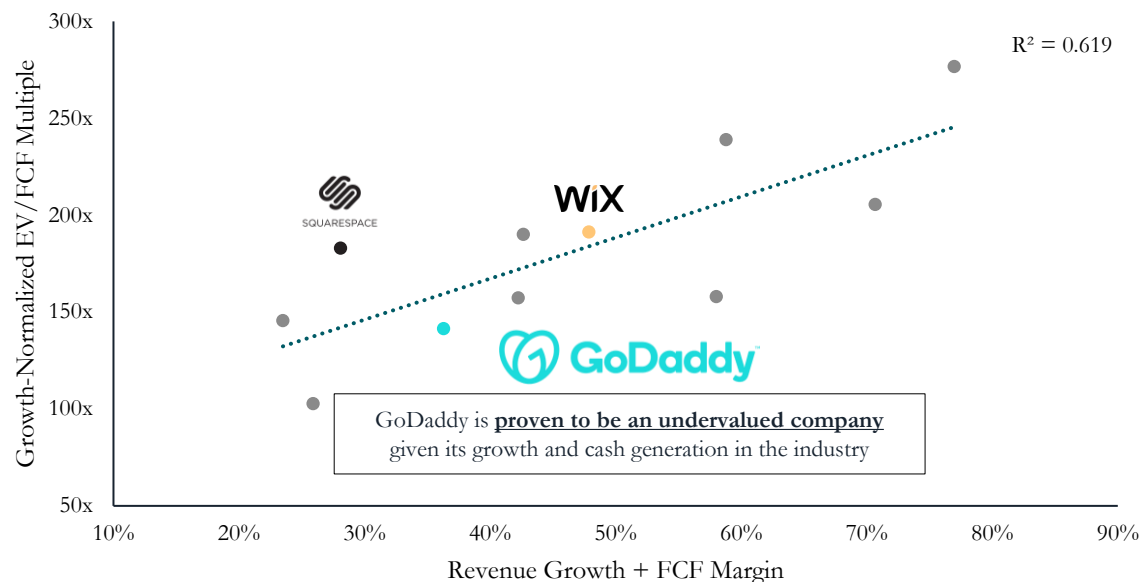
Cash Cow

Street pegs GDDY at a

5.4%
cash yield

indicating the company's
acclaimed ability to generate cash

Growth-Normalized Regression Shows Undervaluation



An Enticing Buy-and-Hold Asset

With GoDaddy, you're buying into a **very safe cash flow stream that is yielding ~5.4%** in a time where interest rates are negative in some countries



VI.

Call Option Thesis



Call Option Thesis: What Can Drive Further Upside?



GDDY has been laying the groundwork for its omnichannel offering through recent acquisitions; penetrating the commerce space can catalyze future growth

The Commerce Opportunity

- GDDY has prioritized rolling out an omnichannel solution by year end, an initiative enabled by recent acquisitions
- This can catalyze future growth by enabling the firm to further upsell a portion of its 20M+ existing customers
- In particular, management has focused on e-commerce enablement to capitalize on the rapidly growing market; in September they announced upgrades to their Commerce Hub, empowering customers to sell anything, anywhere

Notable Acquisition History



Acquisition Date
April 2021

Business Function

Multi-Channel Selling



December 2020

Versatile Payment Processing

Underpenetrated Micro E-Commerce

Enterprise

\$500M+ Rev
20K Companies

Mid-Market

\$50M-500M Rev
90K Companies

SMB

\$5M-50M Rev
6M Companies

Sole Proprietors

<\$5M Rev
24M Companies



- The pandemic has accelerated the e-commerce shift; however, the market is massive and still growing
- Companies like Shopify and BigCommerce hold clear market leadership, but there is room for multiple players to compete
- GDDY faces far less execution risk than the average entrant thanks to their existing, sticky customer base that can be upsold

30M US businesses ripe for digital commerce enablement



Call Option Thesis: What Can Drive Further Upside?



GDDY is uniquely positioned with their single-vendor solution to upsell their commerce solutions to their 20M+ existing customers, of which ~60% have brick-and-mortar stores as well as an e-commerce presence

Additional Layers of Complexity Create Issues

- When a micro e-commerce start-up received customer complaints that they couldn't properly load the store site, having the domain and website be hosted by different vendors (Namecheap and Shopify) made the troubleshooting process more complex
- Notable excerpts from the support transcript:

Mike W (Shopify)
Aug 7, 2021, 13:30 EDT

Full chat transcript below. All timestamps in UTC timezone.

17:11 Max-Shuyu Wang: To Whom it May Concern,

Hope you're doing well! I had a quick question about my Shopify store and was wondering if you'd be able to help me out. I had a customer recently comment on one of my ads saying that when they click to go to my website and shop, their browser said "It's not a secure connection". I'd love to hear any advice on how to potentially remedy this problem.

Thanks so much! Really appreciate it.

Best,
Max

17:11 System: An agent has joined the chat

17:11 Michael (Support Advisor): Hello there, I'm Mike from Shopify. I'll be helping you today. How are you today?

17:12 Max-Shuyu Wang: Hey Michael! I'm doing great (pretty chill weekend so far), thanks for asking. How about yourself?

17:13 Michael (Support Advisor): That's good to hear, I'm doing well. The unsecure connection tends to be a domain thing. Let me see but do you have the details from the customer as well?

17:23 Michael (Support Advisor): Not a problem, yes it could be local to their device. It's hard to isolate without further details. If their browser or device is out of date it could be the case. From the browser next to the address bar though if you see the little lock it shows your cookies/certificates and other security set ups. It's all valid and any issues would appear within the admin such as a connection issue or an SSL error.

17:24 Max-Shuyu Wang: Awesome that's reassuring to hear, I thought it might have been an SSL error

17:24 Michael (Support Advisor): Typically that is the case but yours is fine from what I see.

17:24 Max-Shuyu Wang: I'll try reaching out to the customer to learn more, and if more customers mention this down the line then I'll maybe analyze it further

17:25 Michael (Support Advisor): Sure thing, we could reissue certificates or perhaps you may reach your domain host. We're happy to help however we can to make sure everything is functional.

17:25 Max-Shuyu Wang: Cheers man appreciate it

17:26 Max-Shuyu Wang: Let's leave it here for now and I'll try to learn more - thanks again for the help and have a great day!

17:26 Michael (Support Advisor): You too take care

17:26 System: Chat ended by the client

Shopify support was unable to isolate the problem and ended the discussion with “... perhaps you may reach your domain host”

Single-Vendor vs. Multi-Vendor Solutions

- Multi-vendor solutions allow customers to select the services that they think best optimize performance for each part of their e-commerce platform
- However, there isn't a centralized location to monitor performance and the integration + troubleshooting process can be harder
- GDDY owns a single-vendor solution (Commerce Hub) that gives customers greater control over their tech stack

GDDY's Unique Position in E-Commerce

- Despite numerous updates to their website-building products, GDDY is admittedly a more generic web host vs. Squarespace, Wix, Shopify, etc.
- But they've been able to acquire a hard-to-reach target market: micro businesses i.e., family-owned, independent
- Utility and ease-of-access are the key success factors to meeting the needs of this market — **exactly what GDDY's single-vendor platform provides**



Call Option Thesis: What Can Drive Further Upside?



GDDY's commerce offerings now come with GoDaddy Payments, a built-in payment gateway with the lowest transaction fees in the entire payment processing industry

GoDaddy Payments: Saving Customers Cash

- In September 2021, GoDaddy Payments announced lowest transaction fees in the entire industry
- Cheaper e-commerce plans vs. Shopify as well as lower transaction fees can lead to incremental market capture

	 GoDaddy	 shopify	 WIX
Plan Cost per Month	\$25	\$29 (Basic), \$79 (Standard), \$299 (Advanced)	\$25
Transaction Fees	2.3% + \$0.30 per tx.	2.9% + \$0.30, 2.6% + \$0.30, 2.4% + \$0.30	2.9% + \$0.30 per tx.

Why Would You Use GoDaddy Instead of Shopify?

“Okay. It’s a great question. And I think the answer is going to have to be that **GoDaddy’s offering is uniquely different.** And I think it’s possible to make it uniquely different or seem uniquely different from Shopify...”

“When there’s only one other solution in the marketplace, there’s plenty of problems with the Shopify product and the whole Shopify customer space and the audience knows it. You get the base Shopify product, it’s \$29 a month. And then that’s with no extra features. And then as you go along and you learn what things you need, every single thing that you need to add to Shopify requires an extra fee. And so, it gets very expensive.

They need GoDaddy to compete.”

- Former VP of Online Marketing and Sales at GoDaddy

GoDaddy’s strategic focus on commerce can catalyze future growth beyond the domain space. Currently, players like Shopify and BigCommerce are the clear market leaders, but **GoDaddy can still grow their presence in this space because of the sheer size of the overall market, existing customers that can be upsold, the difference in target market, and structural pricing advantages.**

This can lead to accelerated free cash flow growth and value creation.

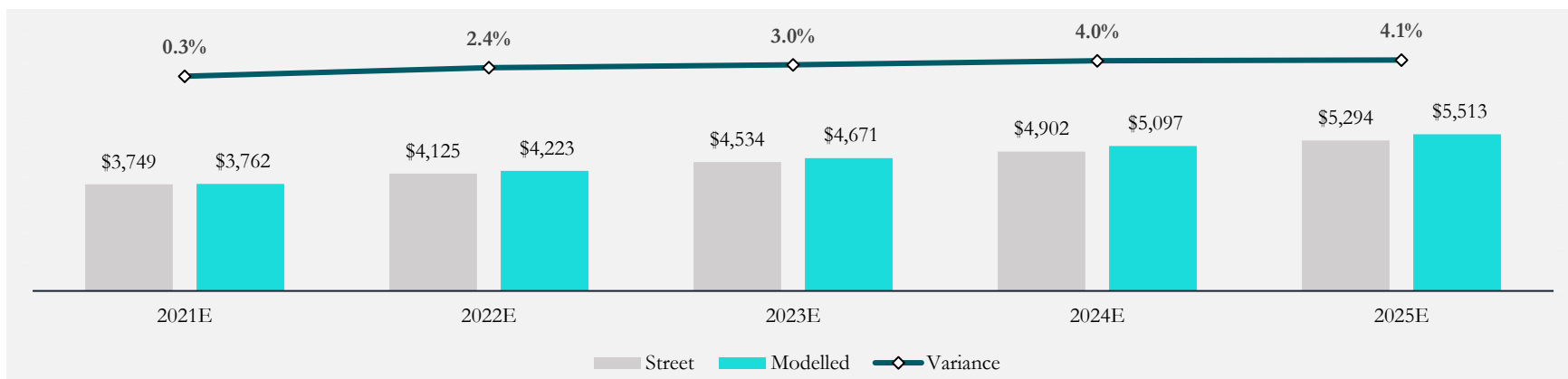


Call Option Thesis: What Can Drive Further Upside?



The call option of e-commerce capture has positive impacts on most operating segments of GDDY

Total Revenue Model Variance



Key Drivers

- Outperformance is driven by the bull case of e-commerce scaling revenue for customers across all segments
 - A successful e-commerce rollout would bring more customers to the web hosting segment, which would then waterfall to business apps
- New payments systems capturing a revenue share of online sales can multiply sales growth due to it being a nascent industry

Maybe Some Multiple Expansion?¹



GoDaddy is no Shopify, but looking at SHOP's lofty valuation gives some belief towards a roadmap of multiple expansion

(1) We did not model any multiple expansion due to uncertainty
Sources: Shopify Filings



VII.

Valuation



Valuation: Discounted Cash Flow Analysis



A thesis rooted in divergence from street expectations of revenue is reflected in the DCF, all assuming a 6.3% cost of capital

Free Cash Flow Build

	2019A	2020A	2021E ¹	2022E	2023E	2024E	2025E
EBIT	203	272	171	447	543	649	752
NOPAT	203	272	171	447	543	649	752
Add: D&A	210	203	76	231	229	237	243
Less: Capital Expenditures	(88)	(67)	(25)	(55)	(61)	(66)	(72)
Less: Change in NWC	190	128	101	241	238	226	221
Unlevered Free Cash Flow	514	537	322	864	950	1,046	1,144
PV Unlevered Free Cash Flow	514	537	318	800	828	858	883

Implied Upside with Cases

	Bear	Base	Bull
2025 uFCF	\$983	\$1,144	\$1,322
Multiple	16.0x	18.0x	18.5x
Enterprise Value	\$15,723	\$20,593	\$24,458
Less: Debt	\$3,869	\$3,869	\$3,869
Less: Minority Interest	\$2	\$2	\$2
Add: Cash	\$1,375	\$1,375	\$1,375
Equity Value	\$13,227	\$18,097	\$21,962
Shares	171	171	171
Value / Share	\$77.29	\$105.74	\$128.33
Implied Upside	10.7%	51.5%	83.9%
5-Year IRR	2.1%	8.7%	13.0%

The DCF gives us a sanity check and confirms our thesis – GoDaddy is an asymmetric upside opportunity.

(1) 2021E is a stub year with two quarters of projected performance



VIII.

Catalysts & Risks



Potential Events Landscape



Several events could influence GoDaddy's business and either appreciate or depreciate share price

Exceeding Earnings Estimates

Continued organic growth with minimal churn may outperform analyst forecasts



Pushes investors to reconsider their multiple rating

Reporting Payments Rollout

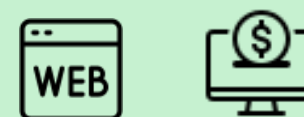
Further reporting and analysis about the new GoDaddy payments program



Allow investors to give credit towards a higher FCF roadmap for the company

E-Commerce Market Capture

Previous acquisitions result in a successful entrance into the e-commerce space



Allow investors to shift outlook on key revenue drivers and include e-commerce

Inability to Control Prices

GoDaddy's margins may be impacted if unable to pass prices down to consumers



GoDaddy takes a loss on their margins resulting in lower FCF

Blue-Chip Entrance

Mega-cap companies enter the domain and hosting space



The company loses market share

Unsuccessful Payments Venture

Shopify holds a monopoly within e-commerce and online payments space



Previous acquisitions become dilutive while growth outlooks remain stagnant

Short Term

Medium Term

Long Term



IX.

Investment Summary



Investment Summary

- 1** **Strong Cash-Yielding Asset:**
 - At a cash yield of 5.4%, the company is an attractive investment vehicle given the current interest rate environment – all coupled with a tangibly proven cheap price

- 2** **Various Avenues for Outperformance:**
 - Earnings outperformance can happen through payments rollout, successful market capture in the e-commerce space, aggressive upsell, consistent debt deployment and continued organic growth

- 3** **Innovative Capital Allocators:**
 - A treasured history of responsible cash outlays (including acquisitions) have resulted in a consistent free cash flow growth of 10.6%, ensuring that GDDY *will* invest to return value to shareholders

- 4** **Defensible Moat:**
 - Technological hurdles associated with legacy infrastructures, including compressed margins and costly infrastructure, make market entrants unlikely – all while GoDaddy maintains its path of market leader in the most attractive spot of the value chain

- 5** **Scalable Customer Profile:**
 - An entrenching user ecosystem exponentially increases switching costs as time goes on, making for an extremely fast-scaling payment schedule without much incremental cost

Buy  **GoDaddy™** at \$69.79



X.

Appendix

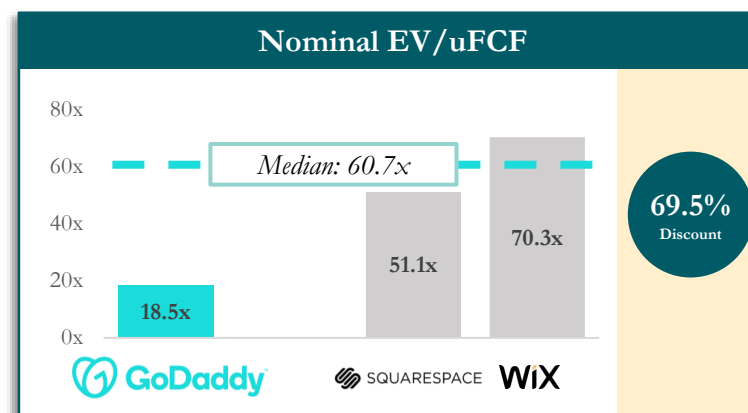
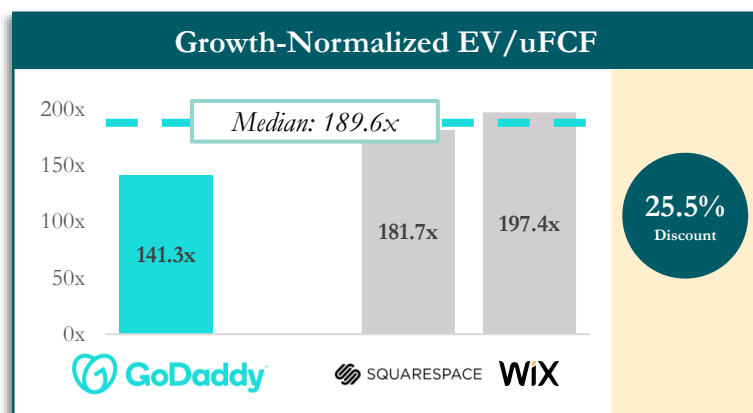


Comparable Companies Analysis



On both a nominal and normalized basis, GoDaddy trades at a noticeable discount to comparable peers

Multiples Comparison



Comparable Company Financials

Company	Ticker	General			Trading Multiples			Profitability & Growth			
		Share Price	Market Cap	Enterprise Value	EV/uFCF Nominal	EV/uFCF Normalized	LTM EV/Rev	LTM 1 Year Growth Revenue	LTM 1 Year Growth EBITDA	EBITDA Margin	Net Debt / EBITDA
Squarespace	NYSE:SQSP	\$38.40	\$5,318	\$5,654	51.1x	181.7x	8.0x	28.1%	NM	7.5%	6.3x
Wix	NASDAQ:WIX	\$189.25	\$10,779	\$9,985	70.3x	197.4x	8.6x	35.6%	NM	(21.2%)	NM
Comparable Universe											
Mean					60.7x	189.6x	8.3x	31.8%	NM	(6.9%)	6.3x
Median					60.7x	189.6x	8.3x	31.8%	NM	(6.9%)	6.3x
GoDaddy	NYSE:GDDY	\$86.33	\$11,783	\$14,633	18.5x	141.3x	4.1x	13.1%	10.0%	15.2%	4.8x



Several upcoming events can potentially drive GDDY's value

Causes for Value Realization

Exceeding Earnings Estimates

- Organic growth of customer payments with continued minimal churn can outperform analyst estimates
- Lowered expectations evident from Q2 solely missing on EPS means bottom-line outperformance will drive bulls who were scared off to reconsider their position

Reporting Payments Rollout

- With GDDY implementing payment solutions only a few weeks ago, the reporting impact of payments on revenue growth and strategic trajectory has yet to be tangibly seen
- The introduction, and success, of the platform can allow investors to give credit towards a higher FCF growth roadmap for the company

E-commerce Market Capture

- With the acquisition of Poynt and Sellbrite showing how management is prioritizing e-commerce expansion, any successful entrance into the space will improve topline and diversify revenue streams
- This introduction would allow investors to shift their bearish outlook on GDDY's ability to expand outside current offerings, resulting in the addition of e-commerce revenue as a key driver to the valuation

The market has several considerations which could limit upside

Unsuccessful Payments Venture

Bear View

Shopify's "monopoly" has a chokehold on the e-commerce website landscape, rendering GDDY's investments useless

Inability to Control Prices

With VeriSign winning back the ability to raise prices on .com, GDDY's margins can take a hit if they are unable to pass price increases to customers

Blue Chip Entrants

Mega-cap companies enter the domain and web hosting arena, allowing for broader solutions available in the market and increasing GDDY churn

Our View

The market is incredibly vast with room for many winners, and GDDY is starting with a scalable customer base of 20M in the most attractive spot in the value chain

GoDaddy's unparalleled ecosystem locks in customers, with business application add-ons (which VeriSign does not offer) allowing for the largest and most reliable opportunity for cross and up-sell

Costly infrastructure and lower margins in the wide CSP service industry make it an unattractive growth capex project for the Microsofts of the world

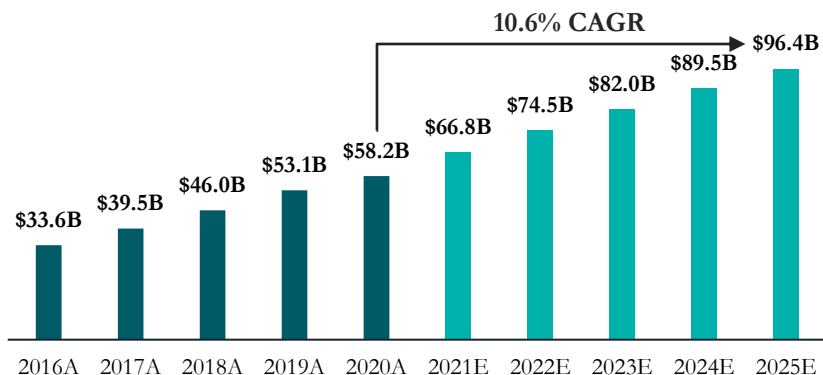


Web Hosting Growth

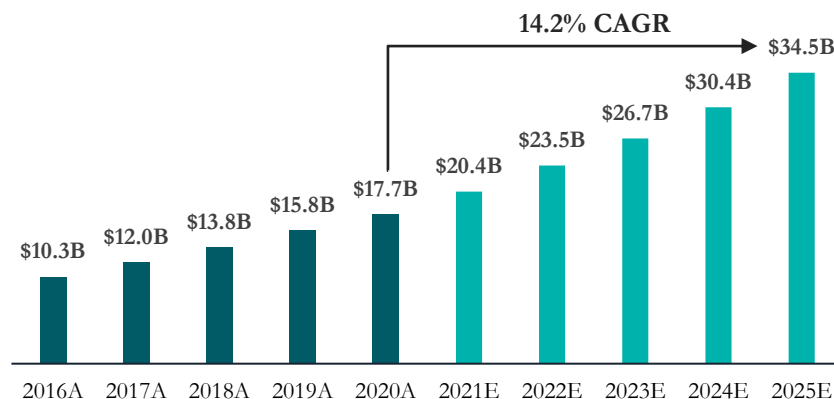


The increased requirements from SMBs, development of AI and catalyzed digital buying behaviours have led to strong tailwinds for webhosting and cloud service demand

Web Hosting Worldwide Revenue



Average Spend Per Employee



Drivers of Hosting Demand

- The **proliferation of startups and small business internationally** has created an intense need for cost-efficient and sustainable online platforms suited for smaller operations; this emergence of web hosting companies delivering specialized services to startup businesses will accelerate the growth of the market
- The **development of artificial intelligence** and advanced technologies are enabling web service providers to create and deliver more enhanced and comprehensive solutions to client which in turn will optimize domain performance
- There is an **accelerated trajectory in online buying behaviors and digital adoption owing to the COVID-19** – the pandemic and its relating lockdowns, quarantines, and closure of workplaces/schools have caused an increased shift towards online businesses

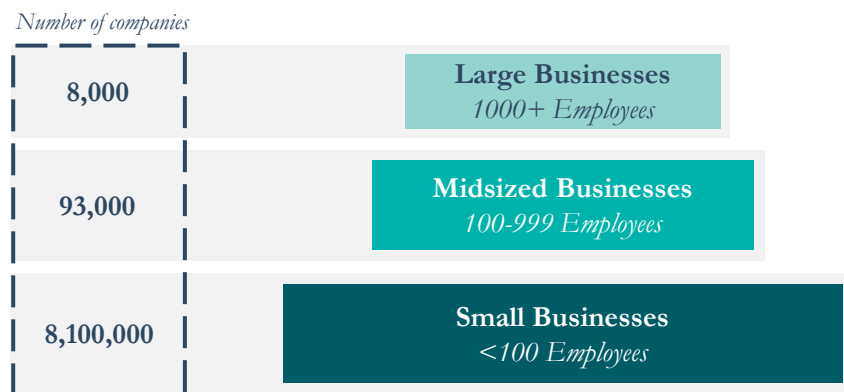


SMB Opportunity

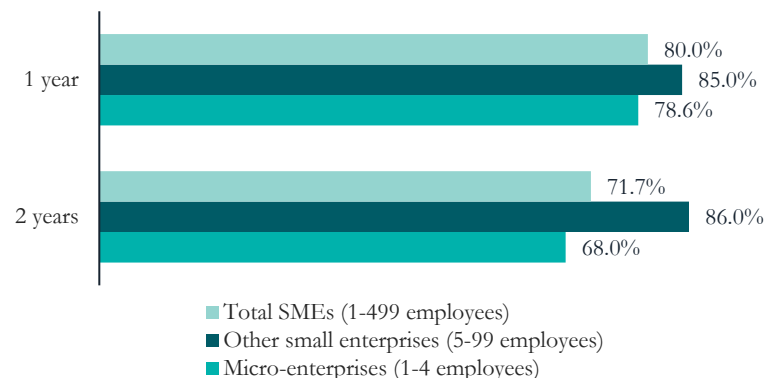


The wide accessibility of computing power and communications bandwidth coupled with easily adoptable technologies has made for a growing and healthy SMB industry

American Business Size Composition



Canadian SMB Survival Rate



Drivers of SMB Cloud Availability

- The increased democratization of computing power and emergence of cloud-based services has led to **commercially available data centers** for SMBs – this computing power was not as readily available historically
- Standardized communications protocols / bandwidth is **getting increasingly affordable and is charged on a “per service” basis** to allow for dynamic solutions to service modern small businesses’ everchanging requirements in a scalable fashion
- SMBs are **not hindered by costly legacy IT infrastructures** and are able to adopt new technologies more quickly and efficiently, ensuring there is appropriate elasticity of demand



Financial Model: Revenue Build Assumptions



GDDY's revenue build was constructed by separating the business into its three operating divisions, and then projecting ARPU as well as the average number of users

Revenue Build							
	2019A	2020A	2021E	2022E	2023E	2024E	2025E
<u>Domain</u>	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31
Net additions in DUM	3.48	4.87	9.31	4.98	(7.47)	8.43	1.25
Domains under management, beginning of period	77.45	80.93	85.80	95.11	100.09	92.62	101.05
Domains under management, end of period	80.93	85.80	95.11	100.09	92.62	101.05	102.30
Average domains under management	79.19	83.37	90.46	97.60	91.36	96.84	101.68
YoY % Growth, domains under management (DUM)	3.31%	5.27%	8.51%	7.90%	-6.40%	6.00%	5.00%
Street Consensus Estimates			8.63%	7.80%	-6.46%		
Average revenue per domain per period	17.16	18.32	19.61	19.99	23.42	23.85	24.25
YoY % Growth, average revenue per domain per period	7.22%	6.76%	7.08%	1.90%	17.20%	1.80%	1.70%
Street Consensus Estimates			6.75%	1.80%	17.12%		
Revenue - Domain	1,351.60	1,515.10	1,759.40	1,950.73	2,139.94	2,309.16	2,465.84
YoY % Growth, Revenue - Domain	10.76%	12.10%	16.12%	10.87%	9.70%	7.91%	6.79%
Street Consensus Revenue - Domain			1,753.74	1,906.83	2,093.68	2,261.38	
Variance (\$)			5.66	43.90	46.26	47.78	
Variance (%)			0.32%	2.30%	2.21%	2.11%	
<u>Hosting and Presence</u>	2019A	2020A	2021E	2022E	2023E	2024E	2025E
	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31	Dec-31
Net additions in hosting and presence	0.49	0.65	0.70	0.61	0.39	0.45	0.32
Number of customers, beginning of period - Hosting and presence	7.85	8.34	8.99	9.69	10.30	10.69	11.14
Number of customers, end of period - Hosting and presence	8.34	8.99	9.69	10.30	10.69	11.14	11.46
Average customers - Hosting and presence	8.10	8.67	9.34	9.99	10.49	10.91	11.30
YoY % Growth, number of customers - Hosting and presence	7.84%	7.01%	7.79%	7.00%	5.00%	4.00%	3.50%
Street Consensus Estimates			7.46%	6.20%	4.61%		
Average revenue per customer - Hosting and presence	139.11	138.57	137.58	142.74	149.16	155.12	161.02
YoY % Growth, average revenue per customer - Hosting and presence	2.66%	-0.39%	-0.72%	3.75%	4.50%	4.00%	3.80%
Street Consensus Estimates			-0.59%	3.26%	4.14%		
Revenue - Hosting and presence	1,126.50	1,200.60	1,284.19	1,426.57	1,565.31	1,693.03	1,818.88
YoY % Growth, Revenue - Hosting and presence	10.70%	6.58%	6.96%	11.09%	9.72%	8.16%	7.43%
Street Consensus Revenue - Hosting and presence			1,277.37	1,383.63	1,483.69	1,554.86	
Variance (\$)			6.82	42.94	81.62	138.17	
Variance (%)			0.53%	3.10%	5.50%	8.89%	



Financial Model: Revenue Build Assumptions



GDDY's revenue build was constructed by separating the business into its three operating divisions, and then projecting ARPU as well as the average number of users

Revenue Build							
<u>Business Application</u>	2019A Dec-31	2020A Dec-31	2021E Dec-31	2022E Dec-31	2023E Dec-31	2024E Dec-31	2025E Dec-31
Net additions - Business application	0.65	0.81	0.86	0.80	0.62	0.88	0.69
Number of customers, beginning of period - Business application	4.04	4.69	5.51	6.37	7.17	7.79	8.67
Number of customers, end of period - Business application	4.69	5.51	6.37	7.17	7.79	8.67	9.35
Average customers - Business application	4.37	5.10	5.94	6.77	7.48	8.23	9.01
<i>YoY % Growth, number of customers - Business application</i>	<i>19.78%</i>	<i>16.74%</i>	<i>16.40%</i>	<i>14.02%</i>	<i>10.50%</i>	<i>10.00%</i>	<i>9.50%</i>
<i>Street Consensus Estimates</i>			<i>15.86%</i>	<i>13.02%</i>	<i>9.87%</i>		
Average revenue per customer - Business application	116.03	117.86	121.26	124.90	129.15	133.02	136.35
<i>YoY % Growth, average revenue customer - Business application</i>	<i>0.85%</i>	<i>1.57%</i>	<i>2.89%</i>	<i>3.00%</i>	<i>3.40%</i>	<i>3.00%</i>	<i>2.50%</i>
<i>Street Consensus Estimates</i>			<i>2.78%</i>	<i>2.80%</i>	<i>3.30%</i>		
Revenue - Business application	510.00	601.00	718.54	845.36	965.89	1094.35	1228.27
<i>YoY % Growth, Revenue - Business application</i>	<i>20.80%</i>	<i>17.84%</i>	<i>19.56%</i>	<i>17.65%</i>	<i>14.26%</i>	<i>13.30%</i>	<i>12.24%</i>
Street Consensus Revenue - Business Application			718.32	834.87	957.11	1,085.41	
Variance (\$)			0.22	10.49	8.78	8.94	
Variance (%)			0.03%	1.26%	0.92%	0.82%	
Total Revenue	2,988.10	3,316.70	3,762.13	4,222.67	4,671.13	5,096.55	5,512.99
<i>YoY % Growth, Total Revenue</i>			<i>13.43%</i>	<i>12.24%</i>	<i>10.62%</i>	<i>9.11%</i>	<i>8.17%</i>
Street Consensus Revenue			3,749.43	4,125.33	4,534.48	4,901.65	5,293.78
Variance (\$)			12.70	97.34	136.65	194.90	219.21
Variance (%)			0.34%	2.36%	3.01%	3.98%	4.14%





GoDaddy Inc. (NYSE: GDDY)

5-Year IRR: 8.7%

Implied Upside: 51.5%

Technology, Media & Telecommunications

Nir Oyberman, Roy Katznelson, Max Wang, Roshan Puniya,
Catherine Zhang, Chenxi Li

October 18th, 2021