2
16
ANNUAL REPORT

Notice of General Annual Meeting
of Shareholders & Proxy Statement

ENDURANCE
International Group

Endurance International Group (NASDAQ: EIGI) (em)Powers millions of small businesses worldwide with products and technology to vitalize their online web presence, email marketing, mobile business solutions, and more.

The Endurance family of brands includes: Constant Contact, Bluehost, HostGator, iPage, Domain.com, BigRock, SiteBuilder and SinglePlatform, among others. Headquartered in Burlington, Massachusetts, Endurance employs more than 4,000 people across the United States, Brazil, India and the Netherlands.

For more informatlon, visit: **www.endurance.com**.

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, 2016
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	Name of exchange on which registered
Common Stock, par value $0.0001 per share	**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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

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 30, 2016, was $577,725,323.

As of January 31, 2017 there were 142,140,080 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 2017 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, 2016, are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

	Page
PART I.	
Item 1. Business	2
Item 1A. Risk Factors	9
Item 1B. Unresolved Staff Comments	37
Item 2. Properties	38
Item 3. Legal Proceedings	38
Item 4. Mine Safety Disclosures	40
PART II.	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	40
Item 6. Selected Financial Data	41
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	43
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	77
Item 8. Financial Statements and Supplementary Data	78
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	143
Item 9A. Controls and Procedures	143
Item 9B. Other Information	145
PART III.	
Item 10. Directors, Executive Officers and Corporate Governance	147
Item 11. Executive Compensation	147
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	147
Item 13. Certain Relationships and Related Transactions, and Director Independence	147
Item 14. Principal Accountants Fees and Services	147
PART IV.	
Item 15. Exhibits and Financial Statement Schedules	148
Item 16. Form 10-K Summary	148
Signatures	149

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,” “will,” “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 anticipated focus areas for 2017; our plans to invest in building brand awareness for key brands; our plans to upgrade our products, customer support and user experience in order to improve customer satisfaction and retention; trends in our subscriber count during 2017; our plans for growing our key hosting and brands; the anticipated timing and results of our transfer of our Orem, Utah customer support operations to our Tempe, Arizona customer support facility; our plans to engage in product, pricing and packaging, marketing and international expansion initiatives; our plans for investment in our international business and expansion in international markets; our intended approach to defending certain legal proceedings; and our expectations related to technological change, marketing trends and consumer demand.

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 5.37 million subscribers globally with a comprehensive suite of products and services that help SMBs get online, get found and grow their businesses. Historically, our products focused largely on web hosting and other basic web presence solutions such as domains, but over time we have expanded to offer security, site backup, premium domains, search engine optimization ("SEO") and search engine marketing ("SEM"), Google Adwords, mobile solutions, social media enablement, website analytics, email marketing and productivity and e-commerce tools, among others. More recently, we have launched additional products and services, including website builders, mobile site builders and new hosting brands, both to satisfy existing subscriber needs and to expand the product gateways through which new subscribers initially reach us. We refer to these newer products and services as "gateway products".

On February 9, 2016, we acquired all of the outstanding shares of common stock of Constant Contact, Inc., or Constant Contact, for $32.00 per share in cash, for a total purchase price of approximately $1.1 billion. Constant Contact is a leading provider of online marketing tools that are designed for small organizations, including small businesses, associations and non-profits. This acquisition combined two leaders in small business online products and services, allowing us to offer a comprehensive suite of online marketing tools and end-to-end solutions for our subscribers.

Market Opportunity

Small and medium businesses represent a large and diverse market, both in the United States and internationally. According to the U.S. Small Business Administration, there were approximately 29 million small businesses in the United States in 2013, of which approximately 23 million were non-employer firms, or companies that do not have paid employees. Worldwide, there were estimated to be approximately 75 million SMBs in 2014.

We believe the growth in global Internet penetration and the proliferation of mobile devices are changing the way in which consumers discover and transact with businesses. As a result, SMBs are increasingly adopting technology to operate and grow their businesses, but the market penetration of web presence and marketing technologies among SMBs remains limited. Studies indicate that of U.S. SMBs with one to ten employees, almost half do not have a website, and that only 40% of U.S. SMBs with 100 or fewer employees use email to advertise or promote their business. Worldwide, many SMBs, particularly in emerging markets, are moving online due to wider availability of Internet infrastructure and mobile connectivity. We believe that these factors result in a significant worldwide market opportunity for us.

Our Products and Services

Many SMBs (particularly those with five or fewer employees, which we believe represent the majority of our SMB subscribers) have limited technological and marketing expertise, time and financial resources. To address these challenges, we offer a comprehensive suite of products and services that help SMBs get online, get found and grow their businesses quickly, easily and affordably. Our offerings, which consist of both proprietary applications and third-party products, can be broadly grouped as follows:

Getting SMBs Online

We provide SMBs an easy and cost-effective way to create an online presence.

Web Hosting. By providing a consolidated 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. We also offer a new Cloud Sites offering for customers who are looking for more power and flexibility as their businesses start to scale, but are not yet ready for more advanced Virtual Private Server ("VPS") or dedicated hosting solutions.

Website Builders. We offer website building tools that enable subscribers with varying degrees of technical sophistication to create a customized web presence. We also offer various premium elements that subscribers can purchase separately to enhance their website and provide a more engaging user experience for their customers, including premium themes, mobile optimization, social networking features, customer interaction tools, embedded videos, photo galleries, blogs, maps, polls and community forums.

Domain Registration, Management and Resale. As an accredited domain registrar with approximately 12 million domains under our management at December 31, 2016, we enable our subscribers to search and purchase available domain names from a wide spectrum of domain registries. We also maintain a portfolio of premium domains that are available for resale to our subscribers.

Security. We offer malware protection solutions to help protect our subscribers' websites from viruses, malicious code and other threats. Our premium offerings, including a web application firewall, can help prevent attacks on subscriber websites before they affect subscriber data or operations. For subscribers that collect personally identifiable information or other private data from their customers and website visitors, we offer a variety of Secure Socket Layer, or SSL, certificates that encrypt data collected on a subscriber's website. We also offer products that help subscribers achieve payment card industry compliance for maintaining sensitive information.

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

Mojo Marketplace. Mojo Marketplace is an online marketplace for WordPress themes, plugins and other digital goods. We make Mojo Marketplace available to subscribers of many of our main web presence brands, as well as through MOJOMarketplace.com. We plan to further enhance MOJOMarketplace.com during 2017.

Getting SMBs Found

Our marketing solutions enable subscribers to increase their online visibility, attract more customers to their websites and build customer loyalty.

Mobile. We offer solutions that allow our subscribers to have their websites 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.

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 fully managed pay-per-click (PPC) services designed to direct traffic to a subscriber's website, email or phone.

Social Media. We offer tools and services that enable our subscribers to communicate effectively with their customers and potential customers through social networks. Our solutions enable our subscribers to easily integrate their website content and sales and marketing efforts into Facebook, Twitter and other forms of social media, and track the results of their social media campaigns.

Analytics. We offer control panels and dashboards that enable our subscribers to analyze activity on their websites and optimize the impact of their web presence design and marketing campaigns to more effectively reach their customers.

Helping SMBs Grow

We offer a wide array of applications and services that can help our subscribers grow their businesses over time by enabling them to have dedicated processing power to drive their websites, consistently get in front of their customers, collaborate more efficiently with their employees, partners and customers, better manage their businesses, and have advanced, secure online payment services.

Advanced Web Hosting. In addition to providing shared hosting services, we also provide 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.

Email Marketing. Constant Contact's email marketing product allows small businesses and other small 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, coupons and landing pages, scheduling and sending email messages, and reporting and tracking the results of each campaign.

We offer our Constant Contact email marketing products on a stand-alone basis and through bundled offerings that combine email marketing with other marketing offerings, including running promotions, managing events online, conducting surveys and getting feedback, and marketing automation capabilities.

Productivity Solutions. We offer our subscribers email capabilities, including custom mailboxes that reflect a subscriber's domain name, spam filters, email aliases and forwarding functionality. Our communications tools also allow a subscriber to unify its email inbox with other communications streams, such as social media feeds. Through our partnership with Google, we also offer our customers Google Apps for Work, which includes an integrated suite of email, collaboration, and file sharing tools.

E-commerce Enablement. As our subscribers grow their businesses and their demands on e-commerce increase, we offer products that enable secure and encrypted payments, shopping carts, payment processing and related services, mobile payments and other forms of e-commerce to expand the way SMBs conduct business online.

Professional Services. For subscribers who have extensive demands for web design, content aggregation and presentation or have unique requirements for their web presence, we offer professional services with dedicated engineering and web design to help them create their ideal web presence complete with integration with some of the more advanced e-commerce, productivity and marketing products we offer.

SinglePlatform. Our SinglePlatform product provides local businesses the ability to create and manage digital storefront listings through one interface. The digital storefront, which may include menus, photos, services, offers and featured products, is distributed online across over 100 online publishers, including multiple websites and mobile applications such as Yelp, Urbanspoon, Foursquare, YellowPages, WhitePages and TripAdvisor. SinglePlatform increases a merchant's reach and helps small businesses to be found online and via mobile sites by consumers.

Reportable Segments

Following our acquisition of Constant Contact in the first quarter of 2016, we determined that our business consisted of two operating segments, and that those segments meet the aggregation criteria under the relevant accounting rules to be treated as one reportable segment. In early 2017, however, we determined that Constant Contact is a separate reportable segment from our web presence business, due primarily to economic differences between Constant Contact and our web presence business that had become apparent by the fourth quarter of 2016. We now report two reportable segments: our web presence business, which is predominately our legacy business, and Constant Contact, which we refer to as our email marketing segment. We have reported these two reportable segments for 2016.

Web Presence. Our web presence segment consists of web hosting, domains and the related products and services listed above under "*Products and Services*" (other than email marketing and SinglePlatform).

Email Marketing. Our email marketing segment consists of the products and services historically offered by Constant Contact, principally email marketing, but also including event marketing, survey tools and SinglePlatform.

Information about our reportable segments is set forth in Note 20 of our Notes to Consolidated Financial Statements in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Sales & Marketing

The SMB market is broad, diverse and fragmented in terms of geography, industry, size and degree of technological sophistication. As a result, we use a multi-brand approach to precisely target the SMB universe, identify the best ways to reach different categories of subscribers and tailor our brands and service offerings specifically toward those audiences. For example, within our web presence segment, our iPage brand targets SMBs who have less technical experience and are looking for a simpler solution; our HostGator brand targets web professionals; and our Bluehost brand targets Wordpress users. This multi-brand approach allows us to provide a diverse base of subscribers with a relevant experience on our platform.

For our web presence segment, the majority of our program marketing expense is associated with targeted PPC-based online marketing 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 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 a significant percentage of our new subscribers through word-of-mouth referrals. In addition to PPC, referral channels and word-of mouth referrals, we have entered into strategic partnerships that help us reach additional subscribers, such as our partnerships with Google and WordPress.

In the past, we have not invested significantly in television or radio advertising for our web presence segment. In 2017, we plan to modestly increase our expenditures in these areas in order to strengthen brand awareness for certain key web presence brands, particularly our HostGator and Bluehost brands, in order to address a trend among consumers to search for web presence and marketing solutions using brand-related search terms rather than generic search terms such as "shared hosting" or "website builder".

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 with online networks and other websites, offline marketing through television and radio advertising, local seminars, relationships with our partners, 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 television and radio advertising is designed to educate potential customers about our marketing solutions and raise awareness of our brand. Our regional initiatives include local seminars and local online marketing. In addition, a significant number of our new email marketing subscribers come to us from word-of-mouth referrals from our existing subscribers and from the inclusion of a link to our website in the footer of substantially all of the emails sent by our subscribers.

Subscriber Support

Our support agents assist our subscribers via phone, email, chat and social media. We use data analytics and subscriber management software to help us deliver targeted support, which we believe enables us to deepen relationships with our subscribers and help them succeed as they grow. 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. We also currently have a support center for our Bluehost brand in Utah, but are in the process of transferring Bluehost support operations to our Tempe, Arizona facility and expect that process will be completed by the end of 2017. In addition, we have third-party support arrangements in India, China and the Philippines.

Technology Platform and Infrastructure

Web Presence Segment

The technology platform supporting our web presence segment combines open source and proprietary software, and is based on a scalable architecture that allows us to operate with a large number of subscribers per server, which helps keep our capital expenditures relatively low. In addition, we have built subscriber relationship management, billing and subscriber service support systems to on-board, serve and track our web presence subscribers, and to enable them to manage their own service experience.

We employ various techniques to enhance the stability of our systems and preserve the security of information contained on them. Within our web presence segment, our systems are not fully redundant. While 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. With respect to data security, we utilize monitoring systems and a variety of software components to monitor and protect our infrastructure against attempts to attack or gain unauthorized entry to our internal systems and subscriber websites; however, like other companies generally and Internet-based organizations in particular, we remain vulnerable to targeted attacks aimed at exploiting network and system applications or weaknesses. See "Risk Factors" for additional information on disaster recovery, redundancy and data security risks.

We currently serve most of our web presence subscribers from four U.S.-based data centers, one of which is owned by us and the rest of which are co-located.

Email Marketing Segment

For our email marketing segment, our on-demand products use a central application and a single software code base with unique accounts for each subscriber, except for SinglePlatform, which operates on a separate code base. As a result, we are able to spread the cost of providing our products across our entire 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. Scalability is achieved through advanced use of application partitioning to allow for horizontal scaling across multiple sets of applications. This structure enables individual application subsystems to scale independently as required by volume and usage.

We own all of the hardware deployed in support of our platform, except for SinglePlatform, which operates on a third party's infrastructure. We continuously monitor the performance and availability of our products. We have a highly available,

scalable infrastructure that utilizes load-balanced web server pools, redundant interconnected network switches and firewalls, replicated databases, and fault-tolerant storage devices. Production data is backed up on a daily basis and stored in multiple locations to ensure transactional integrity and restoration capability.

Our production system hardware and the disaster recovery hardware for our production system, with the exception of SinglePlatform, are co-located in third-party hosting facilities in Massachusetts and Texas.

Engineering and Development

Our engineering and development activity is focused on enhancing our systems, improving and expanding product and service offerings, and developing new features and offerings, as well as integrating technology capabilities from our acquisitions. Our engineering and development expense during 2014, 2015 and 2016 was $19.5 million, $26.7 million and $87.6 million, respectively, or approximately 3.1%, 3.6% and 7.9% of revenues, respectively.

Subscriber Profile

As of December 31, 2016, we had approximately 5.37 million subscribers, of which approximately 0.5 million were Constant Contact subscribers. Based on data from a 2015 survey of subscribers of major brands in our web presence segment, approximately 80% are SMBs, and the majority of SMB subscribers are businesses with five or fewer employees. We estimate that approximately 80% of subscribers of our email marketing segment employ 25 or fewer employees.

The industries in which our subscribers operate are very diverse, including retail, professional services, non-profits, merchandising, media, recreation, education, construction, health, beauty and wellness, and arts and entertainment, among others.

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, China and the Philippines.

Information about the geographic location of our long-lived assets and revenue is set forth in Note 22 of our Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Competition

The global cloud-based services market for SMBs is highly competitive and constantly evolving. We expect competition to increase from existing competitors as well as potential new market entrants. Our competitors include providers of:

- offerings designed to help SMBs establish an initial web presence, such as domain name registrars and shared hosting providers, including GoDaddy, Web.com and United Internet; website builders, such as Squarespace and Wix; website creation and management companies, e-commerce service providers, security solutions providers and site backup companies;
- solutions that help SMBs get found online, such as SEM companies, SEO companies, local directory listing companies and online and offline business directories;
- more advanced solutions targeted at growing SMBs, such as companies offering VPS, cloud hosting and dedicated hosting services, advanced e-commerce and security products and productivity tools; and
- in the case of our email marketing segment, other email marketing vendors focused on the SMB market, including MailChimp.

We expect continued competition, both domestically and internationally, from competitors in the domain, hosting and website builder markets such as GoDaddy, Wix, Squarespace, Web.com and United Internet, as well as potential increased competition from large companies like Amazon, which offers cloud web hosting through Amazon Web Services; Google, which now offers a website building tool; and Facebook, which offers Facebook Pages for businesses and an Internet marketing platform. For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused vendors. In some instances, we have commercial partnerships with companies with which we also compete.

We believe the principal competitive factors in the cloud-based services market for SMBs include: ease of use and effectiveness; product functionality, performance and reliability; customer service and support; integrated solutions; brand

awareness and reputation; affordability; and product scalability. With respect to the first four factors, we plan to invest in upgrading our product, customer support and user experience during 2017 to help us compete favorably in these areas in the future. With respect to brand awareness in our web presence segment, a trend among consumers to search for web presence and marketing solutions using brand-related search terms rather than generic search terms has favored competitors who have invested more heavily in brand awareness than we have. To address this, we plan to increase our investment in brand awareness in 2017, although these efforts may not be successful. See "*Risk Factors*" for additional discussion of competition and brand awareness risks we face.

Seasonality

Our web presence segment has historically experienced increased subscriber billings in the first quarter of our fiscal year as many subscribers start businesses at the beginning of a new year. This segment records 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. Consequently, our web presence quarterly subscriber billings and net new subscriber additions are typically relatively high in the first quarter of our fiscal year, while revenue under U.S. Generally Accepted Accounting Principles ("GAAP") from new web presence subscriber additions is relatively higher in the fourth quarter of our fiscal year.

Sales within our email marketing segment are also are impacted by seasonality, since SMBs and other small organizations are typically less active during the summer months than at the beginning and end of a year.

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 24, 2017, we have fifteen U.S. patents as well as five pending U.S. patent applications 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 over years of use. In addition, we have a trademark and service mark enforcement program pursuant to which we monitor applications filed by third parties to register trademarks and service marks that may be confusingly similar to ours, as well as the use of our major brand names in social media, domain names and other Internet sites.

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 “*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.

Employees

As of December 31, 2016, we had 4,005 employees, including 2,228 in support and network operations, 830 in sales and marketing, 520 in engineering and development, and 427 in general and administrative. Excluded from our employee figures are approximately 790 individuals located in India who are directly employed by a third party, but who are devoted to Endurance on a full time basis and perform a range of services, including email- and chat-based customer and technical

support, billing support, compliance monitoring, domain registrar support, marketing support, network monitoring, engineering and development support and web design and web building 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 either Warburg Pincus or 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 Endurance International Group Holdings, Inc. common stock to its partners in accordance with the limited partnership agreement of WP Expedition Topco.

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.

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

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 may be adversely affected due to a variety of factors that could affect our revenue or our expenses in any particular period. You should not rely on quarter-to-quarter comparisons of our operating results as an indication of future performance. Factors that may adversely affect our quarterly and annual operating results may include:

- our ability to successfully carry out our strategic and operational initiatives within our planned timeframes and budget constraints, including initiatives to improve customer satisfaction and retention in our web presence segment by upgrading our products and improving the subscriber experience;
- our ability to cost-effectively attract and retain subscribers, particularly subscribers with high long-term revenue potential;
- our ability to increase revenue from our existing subscribers;
- competition in the market for our products and services, as well as competition for referral sources;
- rapid technological change, changing consumer preferences, frequent new product and service introductions, and evolving industry standards, including with respect to how our products and services are marketed to consumers, in how consumers find, purchase and use our products and services and in technology intended to block email marketing;
- our ability to consolidate and improve customer support operations, including by transferring our Bluehost customer support operations to our Tempe, Arizona customer support center in a way that minimizes disruption to subscribers during the transition and positions us to provide a high level of service going forward;
- the amount and timing of capital expenditures, such as investments in our hardware and software systems, as well as extraordinary expenses, such as litigation or other dispute-related settlement payments;
- shortcomings or errors in, or misinterpretations of, our metrics, forecasts and data, including those that cause us to fail to anticipate or identify trends in our market;
- systems, data center and Internet failures and service interruptions;
- network security breaches or sabotage resulting in the unauthorized use or disclosure of, or access to, personally identifiable information or other confidential information;
- difficulties and costs arising from our international operations and continued international expansion;
- changes in legislation, including changes that affect our collection of sales and use taxes or changes to our business that subject us to taxation in additional jurisdictions;
- changes in regulation or to regulatory bodies, such as the Internet Corporation for Assigned Names and Numbers, or ICANN, and U.S. and international regulations governing email marketing and privacy, that could affect our business and our industry, or costs of or our failure to comply with such regulation;
- failures to comply with industry standards such as the payment card industry data security standards;
- litigation or governmental enforcement actions against us, including due to failures to comply with applicable law or regulation;
- terminations of, disputes with, or material changes to our relationships with third-party partners, including referral sources, outsourced service providers, product partners, data center providers, payment processors and landlords;
- loss of key employees;
- economic conditions negatively affecting the SMB sector and changes in growth rate of SMBs;
- costs or liabilities associated with any past or future acquisitions, strategic investments or joint ventures that we may make or enter into; and
- difficulties in integrating technologies, products and employees from companies we have acquired or may acquire in the future or in migrating acquired subscribers from an acquired company's platforms to our platform, which may

result in subscriber dissatisfaction, an increase in subscriber churn, difficulties cross-selling products and services to subscribers, and our failure to realize the anticipated benefits from our acquisitions.

Our financial results for 2016 were below our initial expectations as of the beginning of that year due to several factors, including higher than expected subscriber acquisition costs and initial subscriber churn associated with new gateway products, relatively flat growth in our core hosting business, and competitive pressures. It is possible that in one or more future periods, due to any of the factors listed above, a combination of those factors or other reasons, our operating results may again fall below our expectations and the expectations of research analysts and investors. In that event, our stock price could decline substantially.

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 additional products and services in a timely manner that keeps pace with new technologies, competitor offerings and the evolving needs of our subscribers;
- difficulties or delays in our plans to improve product, customer support and user experience in order to improve customer satisfaction and retention;
- the possibility that our planned improvements to product, customer support and user experience, even if successfully implemented in a timely manner, do not result in the positive impact on customer satisfaction and retention that we expect;
- our inability to offer solutions that are adequately integrated and customizable to meet the needs of our subscriber base, including due to our failure to invest adequately in improving our technology platform or successfully integrate acquired companies;
- difficulties or delays in our plans to increase the cross-selling of products across our brands due to billing, engineering or other challenges;
- increased competition in the SMB market, including greater marketing efforts or investments by our competitors in advertising and promoting their brands, and the inability of our subscribers to differentiate our solutions from those of our competitors or our inability to effectively communicate such distinctions;
- subscriber dissatisfaction causing our existing subscribers to cancel their subscriptions or stop referring prospective subscribers to us;
- increases in our subscriber churn rates;
- perceived or actual security, integrity, 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;
- our inability to maintain a consistent user experience and timely and consistent product upgrade schedule for all of our subscribers due to the fact that not all of our brands, products, or services operate from the same control panel or other systems;
- changes in search engine ranking algorithms or in search terms used by potential subscribers, either of which may have the effect of increasing our competitors' search engine rankings or increasing our marketing costs to offset lower search engine rankings;
- changes in, or a failure to manage, technology intended to block email marketing;
- our inability to market our solutions in a cost-effective manner to new subscribers or to our existing subscribers and to increase our sales to existing subscribers, including due to changes in regulation, or changes in the enforcement of existing regulation that would impair our marketing practices, require us to change our sign-up processes or require us to increase disclosure designed to provide greater transparency as to how we bill and deliver our services;
- our inability to penetrate, or adapt to requirements of, international markets, including our inability to obtain or maintain the required licenses to operate in certain international markets;
- our inability to enter into automatically renewing contracts with our subscribers or increase subscription prices; and
- the decisions by our subscribers to move the hosting of their Internet sites and web infrastructure to their own IT systems, into co-location facilities or to our competitors if we are unable to effectively market the scalability of our solutions; and
- our inability to acquire or retain new subscribers through mergers and acquisitions, joint ventures or strategic investments.

In 2015, our total subscriber base increased. In 2016, excluding the effect of acquisitions and adjustments, our total subscriber base was essentially flat, and in our web presence segment, ARPS decreased from $14.18 for 2015 to $13.65 for 2016. We expect that our total subscriber base will decrease in 2017. The factors contributing to our lack of growth in total subscribers and decrease in web presence segment ARPS during 2016 and our expected decrease in total subscribers during 2017 are discussed in "Item 7 - *Management's Discussion and Analysis of Financial Condition and Results of Operations*". If we are not successful in addressing these factors, including by improving subscriber satisfaction and retention, we may not be able to return to or maintain positive subscriber or revenue 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. We have made, and expect to continue to make, significant investments in initiatives designed to address these challenges, some or all of which may not succeed.

The cloud-based technology and online marketing tool industries are characterized by rapid and ongoing technological change, frequent new product and service introductions and evolving industry standards. The manner in which we market 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, advertising and marketing efforts by competitors, and new search engines and search methods are changing the way in which consumers find, purchase and use our solutions. Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our solutions and marketing practices to evolving industry standards and to anticipate subscriber needs and preferences. If we are not able to offer compelling and innovative 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 and our competitive position will be impaired. In addition, if existing technologies or systems, such as the domain name system which directs traffic on the Internet, become obsolete, or if we fail to anticipate and manage technologies that prevent or harm our offerings, such as technology intended to block email marketing, our revenue and operating results may be adversely affected.

We have made significant investments to support our strategic and operational initiatives and we may be required to incur additional engineering and development, marketing and other expenses to develop new solutions or enhancements, which may not succeed. For example, during 2016 we made substantial investments in new gateway product offerings, product marketing and other marketing efforts. The cost of attracting subscribers to our new gateway product offerings was higher than we expected, and the subscribers we attracted have to date had higher churn rates than subscribers of our more established products. In response to these results, we significantly reduced our marketing investments on these gateway products during the remainder of 2016, and have since stopped marketing most of these products.

In 2017, we expect to invest in upgrading our product, customer support and user experience, developing new product packages and pricing options, increasing cross-selling products across brands, and building greater brand awareness for certain of our brands. If we encounter delays, difficulties or unanticipated costs in these initiatives, or we abandon them due to poor results or shifting priorities, we may not realize the expected return on our investments, which could have a material adverse effect our financial results. Even if these investments are ultimately successful, we must recognize the costs of the investments earlier than we may be able to recognize the anticipated benefits, which may continue to adversely affect our financial results.

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. We expect competition to increase from existing competitors, who are also expanding the variety of solution-based services that they offer to SMBs, as well as potential new market entrants and competitors that may form strategic alliances with other competitors. Some of our competitors have greater resources, more brand recognition and consumer awareness, more diversified 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. If these companies decide to devote greater resources to the development, promotion and sale of their brands, products and services, if the brands, products and services offered by these companies are more attractive to or better meet the evolving needs of SMBs, or if these companies respond more quickly to changing technologies, greater numbers of SMBs may choose to use these competitors for creating an online presence and as a general platform for running online business operations.

We have faced and expect to continue to face competition in our web presence segment, both domestically and internationally, from competitors in the domain, hosting and website builder markets such as GoDaddy, Wix, Squarespace, Web.com and United Internet, as well as from large companies like Amazon, which offers cloud web hosting through Amazon

Web Services; Google, which now offers a website building tool; and Facebook, which offers Facebook Pages for businesses and an Internet marketing platform. For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused lower-cost email marketing vendors.

We believe that our business has been, and may continue to be, affected by changes in the behavior of consumers when searching for web presence and marketing solutions. In particular, consumers have increasingly been searching for these solutions using brand related search terms as opposed to unbranded search terms, such as hosting, website builders or email marketing. We believe this trend assists competitors who have invested more heavily in, and used a broader array of marketing channels in, building consumer awareness of their brand than we have. In addition, searches for specific products such as "cloud hosting", "social media marketing", and "ecommerce" are growing, which we believe assists competitors who market more heavily in these and other specific product areas.

There are also relatively few barriers to entry in this market, especially for providers of niche services, which often have low capital and operating expenses and the ability to quickly bring products to market that meet specific subscriber needs. Accordingly, as this market continues to develop, we expect the number of competitors to increase. The continued entry of competitors into the markets for cloud-based technologies and online marketing tools, and the rapid growth of some competitors that have already entered these markets, may make it difficult for us to maintain our market position.

In addition, in an attempt to gain market share, competitors may offer more aggressive price discounts or alternative pricing models, such as so-called "freemium" pricing in which a basic offering is provided for free with advanced features provided for a fee, on the services they offer, bundle several services at reduced prices, or increase commissions paid to their referral sources. These pricing pressures may require us to match these discounts and commissions in order to remain competitive, which would reduce our margins or cause us to fail to attract new subscribers that decide to purchase the discounted service offerings of our competitors. As a result of these factors, it is difficult to predict whether we will be able to maintain our average selling prices, pricing models and commissions paid to our referral sources. If we reduce our selling prices, alter our pricing models or increase commissions paid to our referral sources, it may become increasingly difficult for us to compete successfully, our profitability may be harmed and our operating results could be adversely affected.

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, or the market may not continue to grow at all, either of which would adversely affect our business. Our expectations for future revenue growth 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. If any of these assumptions proves to be inaccurate, then our actual revenue growth could be significantly lower than our expected revenue growth.

Our ability to compete successfully depends on our ability to offer an integrated and comprehensive suite of products and services that enable our diverse base of subscribers to establish, manage and grow their businesses. Our web presence and commerce offerings are predicated on the assumption that an online presence is, and will continue to be, an important factor in our subscribers' abilities to establish, expand, manage and monetize their businesses quickly, easily and 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 mobile messaging and "conversational commerce" applications such as WeChat) 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 product depends on the continued and widespread adoption 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 internet service providers, or ISPs to prevent unsolicited bulk email, or "spam," from overwhelming consumers' inboxes. If security problems become widespread or frequent or if ISPs cannot effectively control spam, the use of email as a means of communication may decline as consumers find alternative ways to communicate. In addition, if alternative communications tools, such as social media, text messaging or services like WeChat, 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 product and harm our business.

Our business and operations have experienced significant growth and organizational change over the past several years, which has placed, and will continue to place, significant demands on our management and infrastructure, especially our billing systems, data analytics systems and operational infrastructure. If we fail to manage our change effectively, we may be unable to execute our business plan, provide high levels of service, produce accurate financial statements and other disclosures on a timely basis or address competitive challenges adequately.

As a result of acquisitions and internal growth, we increased our revenue from $629.8 million in the year ended December 31, 2014 to $741.3 million in the year ended December 31, 2015 to $1.1 billion in the year ended December 31, 2016.

Growth and organizational change has placed, and will continue to place, a significant strain on our managerial, engineering, network operations and security, sales and support, marketing, legal, compliance, finance and other resources. In particular, these factors have placed, and will continue to place, a significant strain on our ability to maintain effective internal financial and accounting controls and procedures. For example, as a result of our acquisitions, we have acquired multiple billing systems many of which remain separate systems, and we may acquire additional billing systems with future acquisitions. Any delays or other challenges associated with having multiple separate billing systems or with billing system build-outs or integrations could lead to inaccurate disclosure, which could prevent us from producing accurate financial statements on a timely basis and harm our operating results, our ability to operate our business and our investors' view of us. In addition, we have identified in the past, and may in the future identify, errors in our systems, including the business intelligence system, which we use to generate certain operational and performance metrics. Our operational and performance 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 that we are required to disclose. We are working to improve our controls for these operational and performance metrics, but further errors with respect to these metrics could still occur. Errors of this type could result in inaccurate disclosures, negatively impact our business decisions and harm investors' view of us.

The increase in our number of subscribers over the past several years due to acquisitions and internal growth has put additional demands on the security, scale and flexibility of our infrastructure and information technology systems, and the increase in the number of payment transactions that we process for our subscribers has increased the amount of customer data that we store. Any loss of data or disruption in our ability to provide our product offerings due to disruptions to, or the inflexibility or lack of scale of, our infrastructure or information technology systems could harm our business or our reputation.

Our U.S. and overseas operations and geographically dispersed workforce require substantial management effort, the allocation of significant management resources and significant investment in our infrastructure, including our information technology, operational, financial and administrative infrastructure and systems. We also need to ensure that our operational, financial, compliance, risk and management controls and our reporting procedures are in effect throughout our organization, and make improvements as necessary. As such, we may be unable to manage our expenses effectively in the future, which may adversely affect our gross margins or operating expenses in any particular quarter. If we fail to manage organizational change in an effective manner, the quality of our solutions may suffer or fail to keep up with changes in the industry or technological developments, which could adversely affect our brands and reputation and harm our ability to retain and attract subscribers.

The international nature of our business and our continued international expansion expose 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 conduct operations primarily in the United States, Brazil, India and the Netherlands and have third-party support arrangements in India, China and the Philippines. In addition, we have localized versions of our Bluehost and HostGator sites targeted to customers in several countries, including Brazil, Russia, India, China, Turkey and Mexico. We have incurred significant expenses and allocated significant resources, including finance, operational, legal and compliance resources, related to the growth and continued expansion of our international operations and we intend to continue to expand internationally. In 2017, we plan to increase our investment in our international business, particularly in India, in order to take advantage of potentially higher growth rates in certain emerging markets and to better respond to an increasingly competitive environment in the Indian market.

Any international expansion efforts or other initiatives that we undertake may not be successful. In addition, conducting operations in international markets or establishing international locations subjects us to new risks that we have not generally faced in the United States. These risks include:

- localization of the marketing and deployment of our solutions, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity with, burdens of, and increased expense relating to, complying with foreign laws, legal standards, regulatory requirements, tariffs and other barriers, some of which may favor local competitors, including laws related to employment or labor, laws regarding liability of online service providers for activities of subscribers, such as defamation, infringement or other illegal activities, and more stringent laws in foreign jurisdictions relating to the privacy and protection of personal data, as well as potential damage to our reputation as a result of our compliance or non-compliance with such requirements;
- difficulties in identifying and managing local staff, systems integrators, technology partners, and other third-party vendors and service providers;
- diversion of our management's attention to staff and manage geographically remote operations and employees;
- longer than expected lead times for, or the failure of, an SMB market for our solutions to develop in the countries and regions in which we are opening offices and conducting operations;
- our inability to effectively market our solutions to SMBs due to our failure to adapt to local cultural norms, technology standards, billing and collection standards or pricing models;
- differing technology practices and needs that we are not able to meet, including an increased demand from our international subscribers that our cloud-based solutions be easily accessible and operational on smartphones and tablets;
- 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;
- difficulties in attracting new subscribers, especially in developing countries and regions and those where the Internet infrastructure is still in its early stages;
- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- management, communication 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;
- competition from companies with international operations, including large international competitors and entrenched local companies;
- changes in global currency systems or fluctuations in exchange rates that may increase the volatility of or adversely affect our foreign-based revenue;
- compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, economic sanction laws and regulations, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, export controls including the U.S. Commerce Department's Export Administration Regulations and other U.S., non-U.S. 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, use or other tax) systems, our inadvertent failure to comply with all relevant foreign tax rules and regulations due to our lack of familiarity with the jurisdiction's tax laws, and restrictions and withholdings on the repatriation of earnings;
- uncertain political and economic climates; and
- reduced or varied protection for intellectual property rights in some countries.

These factors have caused our international costs of doing business to exceed our comparable domestic costs and have caused the time and expense required to close our international acquisitions to exceed our comparable domestic costs. A negative impact from our international business efforts could adversely affect our business, operating results and financial condition as a whole.

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 under the Foreign Intelligence Surveillance Act and Patriot Act and similar laws and regulations. Such 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.

We have experienced system, software, Internet, data center and customer support center failures and have not yet implemented a complete disaster recovery plan, and any interruptions, delays or failures in our services could harm 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, or cause our subscribers to seek to replace us as a provider of their cloud-based and online marketing solutions.

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 in the delivery of our products and services to subscribers, even minor interruptions in our service or losses of data could harm our reputation. 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;
- power loss;
- equipment failure;
- Internet connectivity downtime;
- improper building maintenance by the landlords of the buildings in which our co-located data centers are located;
- physical or electronic security breaches (see also "-Security and privacy breaches may harm our business");
- computer viruses;
- fire, hurricane, flood, earthquake, tornado and other natural disasters;
- water damage;
- terrorism;
- intentional bad acts, such as sabotage and vandalism;
- pandemics; and
- failure by us or our vendors to provide adequate service to our equipment.

We have experienced system failures, delays and periodic interruptions in service, or outages, due to factors including power and network equipment failures; storage system failures; power outages; and network configuration failures. In addition, because our cloud-based platform is complex, we have experienced outages 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. For instance, in December 2016, in the course of a network core upgrade at our Provo data center, a configuration adjustment involving third party equipment resulted in an outage of approximately 16 hours that caused a loss of service to all VPS and dedicated hosting subscribers and some shared hosting subscribers of Bluehost, HostGator and certain other brands. The outage prevented us from processing new signups and affected our internal support and phone systems, impairing our ability to communicate with subscribers during its duration. We will likely experience future outages that disrupt the operation of our solutions and harm our business due to factors such as these or other factors, including the accidental or intentional actions of Internet users, current and former employees and others; cooling equipment failures; other computer failures; or other factors not currently known to us or that we consider immaterial.

Our systems supporting our web presence segment are not fully redundant, and we have not yet implemented a complete disaster recovery plan or business continuity plan. 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 are hosted across four U.S.-based data centers, one of which is owned by us and the rest of which are co-located. Our owned data center hosts a significant portion of our subscribers. Accordingly, any failure or downtime in these data center facilities would affect a significant percentage of our subscribers. 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 these 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 and any discontinuation or disruption to our connectivity could affect our ability to provide services to our subscribers.

Our customer support centers are also vulnerable in the event of failure caused by total destruction or severe impairment. When calling our customer support services, most of our subscribers reach our customer support teams located in one of our six U.S.-based call centers. Our teams in each call center are trained to provide brand-specific support services for a discrete subset of our brands, and they do not currently have complete capability to route calls from one call center to another call center. Accordingly, if any one of these call centers were to become non-operational due to severe impairment or total destruction, our ability to re-route calls to operational call centers or to provide customer support services to any subscribers of the brand or brands that the non-operational call center had formerly managed may be compromised. A significant portion of our email and chat-based customer support is provided by an India-based support team, which is employed by a third-party service provider.

Although our email and chat-based customer support can be re-routed to our own centers, a disruption at our India customer support center could adversely affect our business.

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 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 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 technical challenges, including as a result of outages, errors or bugs in our software, or human error.

In 2017, we are focused on improving our product, customer support and user experience within our web presence segment in order to improve our levels of customer satisfaction and retention. If this initiative is not successful, and if we are unable to provide subscribers with quality service, this may result in subscriber dissatisfaction, billing disputes and litigation, higher subscriber churn, lower than expected renewal rates and impairments to our efforts to sell additional products and services to our subscribers, and we could face damage to our reputation, claims of loss, negative publicity or social media attention, decreased overall demand for our solutions and loss of revenue, any of which could have a negative effect on our business, financial condition and operating results.

Our planned transfer of our Bluehost customer support operations to our Tempe, Arizona customer support facility presents a risk to our customer satisfaction and retention efforts in 2017. Although we believe that the move to Tempe will ultimately result in better customer support, the transition may have the opposite effect in the short term. We expect that the transition will take place in stages through the fourth quarter of 2017, and until the transition is complete, we may continue to handle some support calls from our current Orem, Utah customer support center. The morale of our customer support agents in Orem may be low due to the pending closure of the Orem office, and agents may decide to leave for other opportunities sooner than their scheduled departure dates. Either or both of these factors could result in a negative impact on Bluehost customer support, which could lead to subscriber cancellations and harm to our reputation, and generally impede our efforts to improve customer satisfaction and retention in the short term. In addition, we are consolidating our Austin, Texas support operation into our Houston, Texas support center, which could also negatively impact customer support provided from those locations during the transition period.

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.

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 Bluehost, HostGator, iPage, Domain.com, A Small Orange, Mojo Marketplace, BigRock, ResellerClub, Constant Contact and SinglePlatform, among others.

We believe that establishing and maintaining our brands is critical to our efforts to expand our subscriber base. If we do not build awareness of our 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 web presence business has been, and may continue to be, affected by the increasing tendency of consumers to search for web presence and 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 assisted competitors who have invested more heavily in, and used a broader array of marketing channels in, building consumer awareness of their brand than we have. 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 distinct brand loyalty among subscribers. We plan to focus a portion of our 2017 marketing expenditures on increasing brand awareness for certain of our brands, including through radio advertising, podcasts, and television advertising; however, these efforts may not be successful in counteracting the advantage held by competitors who have invested more heavily in their brands in the past, or who are willing or able to devote more resources than we can to brand awareness going forward.

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.

If the delivery of customers' emails is limited or blocked or its customers' emails are directed to an alternate or "tabbed" section of the recipient's inbox, customers may cancel their accounts.

Internet Service Providers, or ISPs, can block emails from reaching the intended recipients. While we continually improve our technology and work closely with ISPs to maintain the deliverability rates of our email marketing product, the implementation of new or more restrictive policies by ISPs may make it more difficult to deliver our customers' emails. In addition, some ISPs have started to categorize as "promotional" emails that originate from email service providers and, as a result, direct them to an alternate or "tabbed" section of the recipient's inbox. If ISPs materially limit or halt the delivery of our customers' emails, or if we fail to deliver our email marketing customers' emails in a manner compatible with ISPs' email handling or authentication technologies or other policies, or if the open rates of its customers' emails are negatively impacted by the actions of ISPs to categorize emails, then our email marketing customers may question the effectiveness of our products and cancel their email marketing accounts. This, in turn, could harm our business and financial performance.

Security and privacy breaches may harm our business.

We collect, handle, store and transmit large amounts of sensitive, confidential, personal and proprietary information, including payment card information. Any physical or electronic security breach, virus, accident, employee error, criminal activity or malfeasance, fraudulent service plan order, impersonation scam perpetrated against us, security events impacting our third party service providers, intentional misconduct by cyber criminals or similar intrusion, breach or disruption could result in unauthorized access to, usage or disclosure of, or loss of, confidential information, damage to our platform, and interruptions, delays or cessation of service to our subscribers, each of which may cause damage to our reputation and result in increased security costs, litigation, regulatory investigations or other liabilities. We have experienced security events such as these in the past and expect they will continue in the future. To date, none of these events have had a material effect on us, but we may experience larger and more serious incidents in the future. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of technology solutions and services that we offer and expand our operations in foreign countries. In addition, we have acquired many other companies and businesses in the past and may continue to do so from time to time in the future, which may increase our risk of security or privacy breaches, including if we encounter challenges in the subscriber migration or integration process, or if we do not successfully identify security and privacy vulnerabilities through the due diligence we conduct on acquisition targets.

In addition, many states and countries in which we have subscribers have enacted regulations requiring us to notify subscribers in the event that certain 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, efforts to enhance controls, assure compliance and address response costs or penalties imposed by such regulatory regimes could increase our costs.

Organizations generally, and Internet-based organizations in particular, remain vulnerable to targeted attacks aimed at exploiting network and system applications or weaknesses. Techniques used to obtain unauthorized access to, or to sabotage, networks and systems often are not recognized until launched against a target. Cyber criminals are increasingly using powerful new tactics including evasive applications, proxies, tunneling, encryption techniques, vulnerability exploits, buffer overflows, distributed denial of service attacks, or DDoS attacks, botnets and port scans. For example, we are frequently the targets of DDoS attacks in which attackers attempt to block subscribers' access to our 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. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Moreover, we may not be able to immediately detect that such an attack has been launched, if, for example, unauthorized

access to our systems was obtained without our knowledge in preparation for an attack contemplated to commence in the future. 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. We also rely on third parties to provide physical security for most of our data centers and other facilities. Any physical security breach to our data centers or other facilities 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, e-mail scams, phishing, social media or similar attacks, as well as social engineering 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 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, such violations 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. We might also be required to expend significant capital and resources to investigate, protect against or address these problems. 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 our 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 focus on keeping our rate of credit card refunds and chargebacks low, if our refunds or chargebacks increase, our credit card processors could require us to maintain or increase reserves, 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. During the course of compliance reviews during 2016, we discovered control gaps in our current adherence to the PCI DSS 3.2 standard within our web presence segment. As a normal part of our compliance programs, we are engaged with the appropriate financial partners, and are currently working on agreed-upon remediation plans to achieve compliance in timeframes acceptable to them. If we are unable to complete the remediation process within the timeframes we have agreed upon with these parties, 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.

Our failure to limit fraudulent transactions conducted on our websites, such as through the use of stolen credit card numbers, 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 association. Under our contracts with our card processors, we are required to reimburse the processors for such penalties. Our current level of fraud protection, based on our fraudulent and disputed credit card transaction history, is within the guidelines established by the credit card associations. However, we face the risk that we may fail to maintain an adequate level of fraud protection 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 be adequate for 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.

Recent or potential future 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. In February 2016, we acquired Constant Contact and we have in the past acquired, and in the future may acquire, businesses and assets of other companies to increase our growth, add to our product portfolio, enhance our ability to compete in our core markets or allow us to enter new markets. We have also made strategic investments in, and entered into joint ventures with, third parties, typically with small companies focused on developing products that we believe may serve as effective new gateways to acquire new subscribers or that may appeal to our existing subscriber base. Our ability to execute these acquisitions, strategic investments and joint venture transactions depends on a number of factors, including the availability of target companies at prices and on terms acceptable to us, our ability to obtain the necessary equity, debt or other financing, and regulatory constraints. Our inability to complete anticipated acquisitions, strategic investments or joint ventures for these or other reasons may negatively impact our ability to achieve our long-term growth targets.

In addition, these transactions involve numerous risks, any of which could harm our business, including:

- difficulties or delays in integrating the technologies, products, operations, billing systems, personnel or operations of an acquired business and realizing the anticipated benefits of the combined businesses, including both cost synergies and revenue synergies from cross-selling products of the acquired company into our subscriber base, or vice versa;
- reliance on third parties for transition services prior to subscriber migration or difficulties in supporting and migrating acquired subscribers, if any, to our platform, causing potential loss of such subscribers, unanticipated costs and damage to our reputation;
- disruption of our ongoing business and diversion of financial, management, operations and customer support resources from existing operations, including as a result of completing acquisitions and evaluating potential acquisitions;
- difficulties in applying our controls and risk management and compliance policies and practices to acquired companies and joint ventures;
- integration and support of redundant solutions or solutions that are outside of our core capabilities;
- 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 or risks associated with other unforeseen or undisclosed liabilities, or exposure to successor liability for any legal violations of the acquired company;
- differences in the standards, procedures, policies, corporate culture and compensation structure of our company and the acquired company, resulting in difficulty assimilating or integrating the acquired organization and its talent, which could lead to unanticipated costs or inefficiencies, morale issues, increased turnover and lower productivity than anticipated, and could also adversely affect the culture of our existing organization;
- the price we pay, or other resources that we devote, may exceed the value we realize, or the value we could have realized if we had allocated the purchase price or other resources to another opportunity, or unanticipated costs associated with pursuing acquisitions;

- potential loss of an acquired business' key employees, including those employees who depart prior to transferring to us, or without otherwise documenting, knowledge and information that are important to the efficient operation of the acquired business, and costs associated with efforts to retain key employees;
- potential loss of the subscribers or partners of an acquired business due to the actual or perceived impact of the acquisition and related integration activities;
- potential deployment by an acquired company of its top talent to other of its business units prior to our acquisition if we do not acquire the entirety of an acquired company's stock or assets;
- difficulties associated with governance, management and control matters in majority or minority investments or joint ventures, and risk of loss of all or a substantial portion of our investment;
- disruption of our business due to sellers, former employees, contractors or third-party service providers of an acquired company or business misappropriating our intellectual property, violating non-competition agreements, or otherwise causing harm to our company;
- failure to properly conduct due diligence efforts, evaluate acquisitions or investments or identify liabilities or challenges associated with the companies, businesses or technologies we acquire;
- obligations to third parties that arise as a result of the change of control of the acquired company;
- adverse tax consequences, including exposure of our entire business to taxation in additional jurisdictions, exposure to substantial penalties, fees and costs if an acquired company failed to comply, or is alleged by regulatory authorities to have failed to comply, with relevant tax rules and regulations prior to our acquisition, or substantial depreciation or deferred compensation charges; and
- accounting effects, including potential impairment charges related to long-lived assets, in process research and development, goodwill and other intangible assets and requirements that we record deferred revenue at fair value.

A key purpose of many of our smaller acquisitions, typically acquisitions of small hosting companies, has been to achieve subscriber growth, cost synergies and economies of scale by migrating customers of these companies to our platform. However, for several of our most recent acquisitions of this type, migrations to our platform have taken longer and been more disruptive to subscribers than we anticipated. If we are unable to improve upon our recent migration efforts and continue to experience unanticipated delays and subscriber disruption from migrations, we may not be able to achieve the expected benefits from these types of acquisitions.

During 2016, we recorded several impairment charges related to our Webzai and AppMachine acquisitions, totaling $7.1 million, due to changing product development priorities and our revised expectations about the future expected cash flows from certain technology and capitalized software associated with these acquisitions. In addition, in the fourth quarter of 2016, we recorded an impairment charge of $4.7 million related to our investment in Fortifico Limited, a company providing a billing, customer relationship management, and affiliate management solution. It is possible that we will incur additional impairment charges in the future related to our minority investments, joint ventures or acquisitions.

We also rely heavily on the representations and warranties provided to us by the sellers in our acquisitions, including as they relate to creation, ownership and rights in intellectual property, existence of open source software and compliance with laws and contractual requirements. If any of these representations and warranties are inaccurate or breached, we may incur liability for which there may be no recourse, or inadequate recourse, against the sellers, in part due to contractual time limitations and limitations of liability, or we may need to pursue costly litigation against the sellers.

Our growing operations in India, use of an India-based service provider and India-based workforce may expose us to risks that could have an adverse effect on our costs of operations and harm our business.

We currently use an India-based third-party service provider to provide certain outsourced services to support our U.S.-based operations, including email- and chat-based customer and technical support, billing support, network monitoring and engineering and development services. We may increase our use of this provider or other India-based providers in the future. Although there are cost advantages to operating in India, significant growth in the technology sector in India has increased competition to attract and retain skilled employees and has led to a commensurate increase in compensation costs. In the future, we or our third-party service providers may not be able to hire and retain such personnel at compensation levels consistent with the existing compensation and salary structure in India. In addition, we employ our own India-based workforce. Our use of a workforce in India exposes us to disruptions in the business, political and economic environment in that region. Our operations in India require us to comply with local laws and regulatory requirements, which are complex and burdensome and of which we may not always be aware, and expose us to foreign currency exchange rate risk. Our Indian operations may also subject us to trade restrictions, reduced or inadequate protection for intellectual property rights, security breaches and other factors that may adversely affect our business. Negative developments in any of these areas could increase our costs of operations or otherwise harm our business.

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

We have had a net loss in each year since inception. We had a net loss attributable to Endurance International Group Holdings, Inc. of $42.8 million for fiscal year 2014, $25.8 million for fiscal year 2015 and $72.8 million for fiscal year 2016, and we may incur losses in the future. In connection with our acquisitions, we have recorded long-lived assets at fair value. We record amortization expense in each reporting period related to the long-lived assets, which impacts the amount of net loss or income we record in each reporting period.

We have made and expect to continue to make significant expenditures to develop and expand our business. Increases in revenue and number of subscribers that we have experienced over the past several years may not be sustainable, and our revenue may be insufficient to achieve or maintain profitability. As further discussed in "*Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations*", excluding the effect of acquisitions and adjustments, our total subscriber base increased during 2015 but was essentially flat in 2016, and revenue growth in our web presence segment was relatively flat for 2016. If we are not successful in addressing the factors that have contributed to these developments, we may not be able to either return to prior levels of subscriber and revenue growth or maintain current subscriber and revenue levels, which could result in a material adverse effect on our business and financial results. We may incur significant losses in the future for these or a number of other reasons, including interest expense related to our substantial indebtedness, and the other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown events.

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. We may try to raise additional funds through public or private financings, strategic relationships or other arrangements. Although our credit agreement and the indenture governing our 10.875% senior notes due 2024 (which we refer to as the "Notes") limit our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and our credit agreement and indenture may be amended with lender or noteholder consent, as applicable, although we may not be able to obtain this consent when needed.

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. 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.

Our success depends in part on our strategic relationships and joint ventures or other alliances with third parties on which we rely to acquire subscribers and to offer solutions to our subscribers and from which we license intellectual property to develop our own solutions.

In order to expand our business, we plan to continue to 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. Identifying, negotiating, documenting and managing relationships with third parties in certain cases requires significant time and resources, and it is possible that we may not be able to devote the time and resources we expect to such relationships. Integrating and customizing third parties' solutions with our platform also requires us to expend significant time and resources to ensure that each respective solution works with our platform, as well as with our other products and services. 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 efforts 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, we believe that subscriber growth and subscriber acquisition costs at one of our hosting brands was negatively affected during 2016 because an important referral source began featuring several other web hosting options on their website, rather than just our brand. It is possible that in the future, this referral source will continue to add additional web hosting options or even remove us as an option, which could have a negative impact on us. Some of our third-party partners purchase our solutions and resell them to their customer bases. These partners have the direct contractual relationships with our ultimate subscribers and, therefore, we risk the loss of both our third-party partners and their customers if our services fail to meet expectations or if our partners fail to perform their obligations or deliver the level of service to the ultimate subscriber that we expect.

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 other 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.

We also have relationships with product partners whose solutions, including site builders, shopping carts and security tools, we offer to our subscribers. We may be unable to continue our relationship with any of these partners if, for example, they decline to continue to work with us or are acquired by third parties. 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 the solution that we had previously offered, which could harm our business and our operating results.

We also rely on software licensed from or hosted by third parties to offer our solutions to our subscribers. In addition, we may 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. Any errors or defects in third-party software could result in errors or a failure of our solutions which could harm our business and operating results. Further, we cannot be certain that the owners' rights in their technologies will not be challenged, invalidated or circumvented.

Constant Contact relies on some of its partners to create integrations with third-party applications and platforms used by Constant Contact's customers. If we fail to encourage these partners to create such integrations or if we do not adequately facilitate these integrations from a technology perspective, demand for Constant Contact products could decrease, which could harm our business and operating results.

We rely on a limited number of data centers to deliver most of our services. If we are unable to renew our data center agreements on favorable terms, or at all, our operating margins and profitability could be adversely affected and our business could be harmed. 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 five data center facilities located in Massachusetts (three), Texas, and Utah. 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 platform runs, 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 over a period ranging from 2017 through 2021. 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.

Our existing co-located data center agreements may not provide us with adequate time to transfer operations to a new facility in the event of early termination or if we were unable to negotiate a short-term transition arrangement or renew these agreements on terms acceptable to us. 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 would result in significant costs for us and significant downtime for large numbers of our

subscribers. This could damage our reputation and cause us to lose current and potential subscribers, which would harm our operating results and financial condition.

If we are able to renew the agreements on our existing co-located data center facilities, we expect that the lease rates will be higher than those we pay under our existing agreements. If we fail to increase our revenue by amounts sufficient to offset any increases in lease rates for these facilities, our operating results may be materially and adversely affected.

We currently intend to continue to contract with third-party data center operators, but we could be forced to re-evaluate those plans depending on the availability and cost of data center facilities, the ability to influence and control certain design aspects of the data center, and economic conditions affecting the data center operator's ability to add additional facilities.

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 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 not be free of serious defects, which could result in lost revenue or a delay in market acceptance.

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, our customer support personnel 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, since we are not allowed under applicable accounting rules to recognize all of the revenue from these sales immediately, and because we are required to record a significant portion of our related operating expenses during that 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 is 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 depend on the experience and expertise of our senior management team, and the loss of any member of our senior management team could have an adverse effect on our business, financial condition and operating results.

Our success and future performance depends in significant part upon the continued service of our senior management team, particularly Hari Ravichandran, our founder and chief executive officer. The members of our senior management team are not contractually obligated to remain employed by us. Accordingly, and in spite of our efforts to retain our senior management team with long-term equity incentives, any member of our senior management team could terminate his or her employment with us at any time and go to work for one of our competitors after the expiration of his or her non-compete period. The replacement of members of our senior management team likely would involve significant time and expense, and the loss of any member of our senior management team could significantly delay, prevent the achievement of or make it more difficult for us to pursue and execute on our business objectives, and could have an adverse effect on our business, financial condition and operating results.

Our growth will be adversely affected if we cannot continue to successfully retain, hire, train and manage our key employees, particularly engineering, development and other technical employees, who are often in high demand.

Our ability to successfully pursue our growth strategy will depend on our ability to attract, retain and motivate key employees across our business. In particular, we are dependent on our platform and software engineers. Our engineering, development and technology teams have undergone several management transitions and a significant amount of organizational change in recent years. This, combined with high demand from other technology companies for skilled engineering and technical employees, is likely to make it challenging to retain these employees or hire replacements if they leave. Difficulties retaining, hiring or motivating these employees may jeopardize our engineering, development initiatives, some of which are integral to achieving our financial and operational goals for 2017, and could impact our ability to effectively maintain and upgrade our platforms.

We also depend upon employees who manage our sales and service employees, and, as we grow internationally, those employees managing our operations outside of the United States. We face intense competition for employees from numerous technology, software and manufacturing companies, and we cannot ensure that we will be able to attract, integrate or retain additional qualified employees in the future or at compensation levels consistent with our existing compensation and salary structure. In particular, candidates making employment decisions, particularly in high-technology industries, often consider the value of any equity they may receive in connection with their employment. As a result, any significant volatility in the market price of our common stock or concerns by potential employees about the performance of our stock may adversely affect our ability to attract or retain highly skilled engineers and marketing personnel.

If we are unable to attract new employees and retain our current employees, we may not be able to develop and maintain our services at the same levels as our competitors, and we may therefore lose subscribers and market share. Our failure to attract and retain qualified individuals could have an adverse effect on our ability to execute on our business objectives and, as a result, our ability to compete could decrease, our operating results could suffer and our revenue could decrease. In particular, if we are unable to recruit an adequate number of qualified employees in a timely manner at our Tempe, Arizona call center facility to cover the customer service and support activities that we intend to transfer from our Orem, Utah customer support center, the move may be more disruptive to subscribers or more costly to us than we expect, and we may not realize the anticipated benefits of the move.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and we are subject to consumer protection laws that regulate our marketing practices and prohibit unfair or deceptive acts and practices. Our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also impair our efforts to maintain and expand our subscriber base and provide certain of our product offerings, and thereby decrease our revenue.

The U.S. Federal Trade Commission, or FTC, and various state and local governments and agencies regularly use their authority under laws prohibiting unfair and deceptive marketing and trade practices to investigate and penalize companies for practices related to the collection, use, handling, disclosure, and security of personal data of U.S. consumers. In addition, in

connection with the marketing and advertisement of our products and services by us or our affiliates, we could be the target of claims relating to false or deceptive advertising or marketing practices, including under the auspices of the FTC and state consumer protection statutes.

In the European Union, or EU, and in other jurisdictions outside of the United States, we could be the target of similar claims under consumer protection laws, regulation of cloud services, ecommerce and distance selling regulation, advertising regulation, unfair competition rules or similar legislation. Online digital services may be subject to increased scrutiny in the near future given their rapid growth in recent years. For example, since December 1, 2015, the UK Competition and Markets Authority, or the CMA, has been conducting a review of compliance with UK consumer protection laws in the cloud storage sector. As part of that effort, the CMA contacted a number of cloud storage companies, including our UK subsidiary, JDI Backup Ltd, or JDI, requesting that information be provided on a voluntary basis. JDI provided the CMA with the requested information and has changed its terms of service and disclosures to comply with undertakings it gave to the CMA.

If we are found to have breached any consumer protection, ecommerce and distance selling, advertising, unfair competition laws or similar legislation in any country or any laws regulating cloud services, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact revenue, as well as litigation, fines, penalties and adverse publicity that could cause our subscribers to lose trust in us, which could have an adverse effect on our reputation and business in a manner that harms our financial position. Among other things, our failure to implement any required consumer protection or regulatory disclosures on our various brand websites could subject us to adverse regulatory action, litigation or other adverse consequences. We also rely on 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.

We collect personally identifiable information and other data from our subscribers and prospective subscribers. 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 right to decline or opt out, we may use this information to market other products and services to them. We may also share subscribers' personally identifiable information with certain third parties as authorized by the subscriber or as described in the applicable privacy policy.

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, and the FTC and many state attorneys general are applying federal and state consumer protection laws, including in novel ways, to impose standards for the online collection, use and dissemination of data. Furthermore, these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. Any failure or perceived failure by us to comply with rapidly evolving privacy or security laws, policies (including our own stated privacy policies), legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of personally identifiable information or other subscriber data may result in governmental enforcement actions, litigation, fines and penalties and/or adverse publicity and could cause our subscribers to lose trust in us, which could have an adverse effect on our reputation and business.

In addition, several foreign countries and governmental bodies, including the countries of the EU and Canada, have laws and regulations dealing with the collection and use of personal data obtained from their residents, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information 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 frequent revisions and differing interpretations, and have generally become more stringent over time.

The data privacy regime in the EU includes certain directives which, among other things, require EU member states to regulate the processing and movement of personal data, marketing and the use of cookies. Each EU member state has transposed the requirements of these directives into its own national data privacy regime, and therefore the laws differ from jurisdiction to jurisdiction. We are also subject to the supervision of local data protection authorities in those jurisdictions where we are established or otherwise subject to applicable law, as well as to evolving EU laws on data export, as we may transfer personal data from the EU to other jurisdictions.

Future laws or regulations, or modifications to existing laws or regulations, could impair our ability to collect, transfer and/or use user information that we use to provide targeted advertising to our users, thereby impairing our ability to maintain and grow our subscriber base and increase revenue. Future restrictions on the collection, use, transfer, sharing or disclosure of our subscribers' data or additional requirements for obtaining the consent of subscribers for the use and disclosure of such information could require us to modify our solutions and features, possibly in a material manner, and could limit our ability to

develop new services and features. For example, the new EU-wide General Data Protection Regulation, or GDPR, entered into force in May 2016 will become applicable on May 25, 2018, replacing the data protection laws of each EU member state. The GDPR will implement more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, increased requirements to erase an individual's information upon request, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. It also significantly increases penalties for non-compliance, including where we act as a service provider (e.g. data processor). If our privacy or data security measures fail to comply with applicable current or future laws and regulations, we may be subject to litigation, regulatory investigations, or enforcement actions (including enforcement notices requiring us to change the way we use personal data or our marketing practices, fines, or other liabilities), as well as negative publicity and a potential loss of business. Under the GDPR, fines of up to 20,000,000 Euros or up to 4% of the total worldwide annual turnover of the preceding financial year may be assessed. Moreover, if future laws and regulations limit our subscribers' or prospective subscribers' ability to use and share personal data or our ability to store, process and share personal data, demand for our solutions could decrease, our costs could increase, and our business, results of operations and financial condition could be harmed.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies, web beacons and similar technology for online behavioral advertising. In the EU, informed consent is required for the placement of a cookie on a user's device. The current European laws that cover the use of cookies and similar technology and marketing online or by electronic means are under reform. These laws are expected when implemented to alter rules on third-party cookies, web beacons and similar technology for online behavioral advertising and to impose stricter requirements on companies using these tools. Regulation of cookies and web beacons may lead to broader restrictions on our research activities, including efforts to understand users' Internet usage. Such regulations may have a chilling effect on businesses, such as ours, that collect and use online usage information in order to attract and retain customers and may increase the cost of maintaining a business that collects or uses online usage information, increase regulatory scrutiny and increase the potential for civil liability under consumer protection laws. In response to marketplace concerns about the usage of third-party cookies and web beacons to track user behaviors, providers of major browsers have included features that allow users to limit the collection of certain data in general or from specified websites, and some regulatory authorities have been advocating the development of browsers that block cookies by default. These developments could impair our ability to collect user information that helps us provide more targeted advertising to our users. If such technology is widely adopted, it could adversely affect our business, given our use of cookies and similar technologies to target our marketing.

Furthermore, the U.S. Controlling the Assault of Non Solicited Pornography and Marketing Act of 2003, or CAN SPAM Act, 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. 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. Some portions of state laws of this type may not be pre-empted by the CAN SPAM Act. The ability of our subscribers' customers to opt out of receiving commercial emails may minimize the effectiveness of our products, particularly Constant Contact's email marketing product. Moreover, non-compliance with the CAN SPAM Act carries significant financial penalties. If we were found to be in violation of the CAN SPAM Act, applicable state laws not pre-empted by the CAN SPAM Act, or similar foreign laws regulating the distribution of commercial email, whether as a result of violations by our subscribers or if we were deemed to be directly subject to and in violation of these requirements, we could be required to pay penalties, which would adversely affect our financial performance and significantly harm our business, and our reputation would suffer. We also may be required to change one or more aspects of the way we operate our business, which could impair our ability to attract and retain subscribers or could 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, and while we enter into contractual arrangements to ensure that they 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, which could have an adverse impact on our reputation and business.

New laws, regulations or standards or new interpretations of existing laws, regulations or standards, including those in the areas of data security, data privacy, consumer protection and regulation of ISPs, could require us to incur additional costs and restrict our business operations. In addition, there is a risk that we could be held subject to legislation in countries where we reasonably thought the laws did not apply to us. Failure by us to comply with applicable requirements may result in

governmental enforcement actions, litigation, fines and penalties or adverse publicity, which could have an adverse effect on our reputation and business.

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

We have devoted substantial resources to the development of our intellectual property, proprietary technologies and related processes. 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, may not provide an adequate remedy in the event of misappropriation or unauthorized disclosure, and may not now or in the future provide us with a competitive advantage. Despite our efforts to protect our intellectual property rights, unauthorized parties, including employees, subscribers and third parties, may make unauthorized or infringing use of our 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. To the extent we expand our international activities, our exposure to unauthorized copying and use of our trademarks, products and proprietary information may increase.

We have registered, or applied to register, the trademarks associated with several of our leading brands in the United States and in certain other countries. Competitors may have adopted, and in the future may adopt, service or product names similar to ours, which could impede our ability to build our brands' identities and possibly lead to confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the terms or designs of one of our trademarks.

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. There can be no assurance that our efforts to enforce or protect our proprietary rights will be adequate or that our competitors will not independently develop similar technology. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights on the Internet are uncertain and still evolving. Our failure to meaningfully establish and protect our intellectual property could result in substantial costs and diversion of resources and could substantially harm 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.

In recent years, there has been 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, and to the extent we face increasing competition, or if we become more visible or successful, the possibility of intellectual property infringement claims may increase. In addition, our exposure to risks associated with the use of intellectual property may increase as a result of acquisitions that we make or our use of software licensed from or hosted by third parties, as we have less visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks. Third parties may make infringement and similar or related claims after we have acquired or licensed technology that had not been asserted prior to our acquisition or license.

Many companies are devoting significant resources to obtaining patents that could affect many aspects of our business. Since we do not have a significant patent portfolio, this may prevent us from deterring patent infringement claims, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have.

We have filed several patent applications in the United States and foreign counterpart filings for some of those applications. Although some of these applications have issued to registration, we cannot assure you that patents will issue from every patent application, or that we will prosecute every application to registration, that patents that issue from our applications will give us the protection that we seek, or that any such patents will not be challenged, invalidated or circumvented. Any

patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers.

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.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure. In addition, during the course of any such litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

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, 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.

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, such as MySQL and Apache, 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.

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 or store content with us in violation of applicable law or the subscriber’s own policies, which could subject us to liability.

Several U.S. federal statutes may 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 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. Technical mistakes in complying with the detailed DMCA take-down procedures could subject us to liability for copyright infringement.

- 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 we may nonetheless be brought into disputes between our subscribers and third parties which would require us to devote management time and resources to resolve such matters and any publicity from such matters could also have an adverse effect on our reputation and therefore our business.

- 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. Given our international presence, we may therefore, nonetheless, have to defend against or comply with any foreign judgments made against us, which could take up substantial management time and resources and damage our reputation.

Although these statutes 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 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 these 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.

In addition, our email marketing subscribers could also use our email marketing products or website to transmit negative messages or website links to harmful applications, reproduce and distribute copyrighted material or the trademarks of others without permission, or report inaccurate or fraudulent data or information. Any such use of our email marketing products could damage our reputation and we could face claims for damages, copyright or trademark infringement, defamation, negligence or fraud. Moreover, our email marketing customers' promotion of their products and services through our email marketing products may not comply with federal, state and foreign laws.

We cannot predict whether our role in facilitating these activities would expose us to liability under these laws. Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims. If we are found liable for our customers' activities, we could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

We may face liability for disputes in connection with ownership or control of subscriber accounts, domain names or email contact lists or in connection with domain names we own, or for their misappropriation by third parties.

As a provider of cloud-based solutions, including as a registrar of domain names and related services, we from time to time become aware of disputes over ownership or control of subscriber accounts, websites, domain names or email contact lists. For example, disputes may arise as a result of a subscriber engaging a webmaster or other third party to help set up a web hosting account, register or renew a domain name, build a website, upload content, or set up email or other services.

We could face potential claims of tort law liability for our failure to renew a subscriber's domain, and we have faced such liability in the past. We could also face potential tort law liability for our role in the wrongful transfer of control or ownership of accounts, websites or domain names. The safeguards and procedures we have adopted may not be successful in insulating us against liability from such claims in the future. In addition, we face potential liability for other forms of account, website or domain name "hijacking," including misappropriation by third parties of subscriber accounts, websites or domain names and attempts by third parties to operate accounts, websites or domain names or to extort the subscriber whose accounts, websites or domain names were misappropriated. Furthermore, our risk of incurring liability for a security breach on or in connection with a subscriber account, website or domain name would increase if the security breach were to occur following our sale to a subscriber of security products that proved ineffectual in preventing it. Finally, we are exposed to potential liability as a result of our domain privacy service, wherein the identity and contact details for the domain name registrant are masked. Although our terms of service reserve the right to provide the underlying WHOIS information and/or to cancel privacy services on domain names giving rise to domain name disputes, including when we receive reasonable evidence of an actionable harm, the safeguards we have in place may not be sufficient to avoid liability, which could increase our costs of doing business.

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 at least limited involvement by us and, therefore, increase our costs of doing business. Moreover, as the owner of domain name portfolios containing domains that we are providing for resale, we may face liability if one or more domain names in our portfolios is alleged to violate another party's trademark. While we screen the domains we acquire to mitigate the risk of third-party claims of trademark infringement, we may nonetheless inadvertently register or acquire domains that infringe or allegedly infringe third-party rights. Moreover, advertisements displayed on websites associated with domains registered by us may contain allegedly infringing content placed by third parties. As a result, our involvement in domain name disputes may increase in the future.

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 maintained by OFAC. 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. Furthermore, U.S. export control laws and economic sanctions laws prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

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 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 U.S. sanction targets. Until we are able to fully integrate our compliance processes into the operations of such acquired companies, we are at an increased risk of transacting business with U.S. sanction targets. Our failure to comply with these laws, rules and regulations could result in negative consequences to us, including government investigations, penalties and reputational harm.

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 change in export or import regulations, shift in the enforcement or scope of existing regulations, or change in the countries,

governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions or decreased ability to export or sell our solutions to existing or potential subscribers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions could adversely affect our business, financial condition and operating results.

Due to the global nature of our business, we could be adversely affected by violations of anti-bribery laws.

The global nature of our business requires us (including our employees and business partners or agents acting on our behalf) to comply with laws and regulations that prohibit bribery and corruption anywhere in the world. The FCPA, the U.K. Bribery Act 2010, or the Bribery Act, and similar anti-bribery laws in India, Brazil or other jurisdictions where we do business generally prohibit companies and their intermediaries from making improper payments to government officials and other persons for the purpose of obtaining or retaining business or an improper business advantage. In addition, the FCPA requires public companies to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. We currently operate, and plan to expand our operations, in areas of the world that have a reputation for heightened risks of corruption and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. In addition, changes in laws could result in increased regulatory requirements and compliance costs which could adversely affect our business, financial condition and results of operations. We cannot assure that our employees, business partners or other agents will not engage in prohibited conduct and expose us to the risk of liability under the FCPA, the Bribery Act, or other anti-bribery laws. If we are found to be in violation of the FCPA, the Bribery Act or other anti-bribery laws, we could suffer criminal and civil penalties, other sanctions, and reputational damage, which could have a material adverse effect on our business.

Adverse economic conditions in the United States and international economies could harm our operating results.

Unfavorable general economic conditions, such as a recession or economic slowdown in the United States or in one or more of our other major markets, could adversely affect the affordability of, and demand for, our solutions due to factors such as declines in overall economic growth, consumer and corporate confidence and spending; increases in unemployment rates; and uncertainty about economic stability. Changing macroeconomic conditions may affect our business in a number of ways, making it difficult to accurately forecast and plan our future business activities. In particular, SMB spending patterns are difficult to predict and are sensitive to the general economic climate, the economic outlook specific to the SMB industry, the SMB’s level of profitability and debt and overall consumer confidence. Our solutions may be considered discretionary by many of our current and potential subscribers and may be dependent upon levels of consumer spending. As a result, resellers and consumers considering whether to purchase our solutions may be influenced by macroeconomic factors that affect SMB and consumer spending.

To the extent conditions in the economy deteriorate, our business could be harmed as subscribers may reduce or postpone spending and choose to discontinue our solutions, decrease their service level, delay subscribing for our solutions or stop purchasing our solutions all together. In addition, our efforts to attract new subscribers may be adversely affected. Weakening economic conditions may also adversely affect third parties with which we have entered into relationships and upon which we depend in order to grow our business, which could detract from the quality or timeliness of the products or services such parties provide to us and could adversely affect our reputation and relationships with our subscribers.

In uncertain and adverse economic conditions, decreased consumer spending is likely to result in a variety of negative effects such as reduction in revenue, increased costs, lower gross margin percentages and recognition of impairments of assets, including goodwill and other intangible assets. Uncertainty and adverse economic conditions may also lead to a decreased ability to collect payment for our solutions and services due primarily to a decline in the ability of our subscribers to use or access credit, including through credit cards and PayPal, which is how most of our subscribers pay for our services. We also expect to continue to experience volatility in foreign exchange rates, which could adversely affect the amount of expenses we incur and the revenue we record in future periods. If any of the above risks are realized, we may experience a material adverse effect on 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. 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. During 2016, we recorded impairment charges related to in-process research and development, developed technology assets, internally developed software and our minority investment in Fortifico Limited, 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, 2016, we had approximately $2.0 billion of aggregate indebtedness, net of original issue discounts of $25.9 million and deferred financing costs of $43.3 million. Under our first lien term loan facility and our incremental first lien term loan facility entered into in connection with the acquisition of Constant Contact, we are required to repay approximately $5.3 million and $3.7 million, respectively, of principal at the end of each quarter and are required to pay accrued interest upon the maturity of each interest accrual period, which was $63.6 million and $34.7 million, respectively, for the year ended December 31, 2016. We estimate that our interest payments on our first lien term loan facility and our incremental first lien term loan facility will be $64.0 million and $43.2 million, respectively, in 2017. The interest accrual periods under our first lien term loan, incremental first lien term loan and revolving credit facility (which we refer to collectively as our Senior Credit Facilities) are typically three months in duration, except for LIBOR based revolver loans, which are generally one month 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 Notes on a semi-annual basis. Approximately $18.2 million of interest was paid on the Notes during 2016. We estimate that our interest payments on the Notes will be $38.1 million in 2017.

We may be able to incur substantial additional debt in the future. The terms of the Senior Credit Facilities and the indenture governing the 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 terms of our Senior Credit Facilities and the indenture governing our outstanding 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 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. 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 the Senior Credit Facilities and the Notes and could have a material adverse impact on our business. Our Senior Credit Facilities and the indenture governing the 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 Notes or to remedy any defaults under our Senior Credit Facilities or the indenture governing the 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 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 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 Notes. The ability of our subsidiaries to make transfers and other distributions to EIG Investors are 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 or on satisfactory terms, if at all, which would limit EIG Investors' ability to meet its scheduled debt service obligations (including in respect of the Senior Credit Facilities or the Notes). Our ability to restructure or refinance debt 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. The Senior Credit Facilities and the indenture governing the Notes will 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 would likely result in a reduction of its credit rating, which could harm our ability to incur additional indebtedness.

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

Upon the occurrence of specific kinds of change of control events, EIG Investors will be required under the indenture governing the Notes to offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, unless the Notes have been previously called for redemption. The source of funds for any such purchase of the 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 Notes upon a change of control because it may not have sufficient financial resources to purchase all of the Notes that are tendered upon a change of control. Further, EIG Investors may be contractually restricted under the terms of the Senior Credit Facilities from repurchasing all of the Notes tendered by holders upon a change of control. Accordingly, EIG Investors may not be able to satisfy its obligations to

purchase the Notes unless it is able to refinance or obtain waivers under the Senior Credit Facilities. EIG Investors' failure to repurchase the Notes upon a change of control would cause a default under the indenture governing the Notes and a cross default under the Senior Credit Facilities. The Senior Credit Facilities also provide that a change of control is a 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 specified in the indenture governing the Notes, EIG Investors will be required to commence an asset sale offer, as defined under the indenture governing the Notes, pursuant to which it will be obligated to offer to purchase the applicable Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest. EIG Investors' other debt may contain restrictions that would limit or prohibit EIG Investors from completing any such asset sale offer. EIG Investors' failure to purchase any such Notes when required under the indenture would be an event of default.

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 or in the expectations of securities analysts;
- 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;
- investors' general perception of us;
- changes in general economic, industry and market conditions and trends; and
- recruitment or departure of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. In May 2015, a class action securities lawsuit was filed against us, and in August 2015, a separate class action securities lawsuit was filed against Constant Contact. In the future we may be the target of additional securities litigation. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

If securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they publish negative evaluations of our stock, the price of our stock and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts or other parties may publish about us, our business, our market or our competitors. We do not have any control over these parties. If one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

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, 2016, a total of 23,576,872 shares of our common stock are subject to outstanding options, restricted stock units and restricted stock awards, of which 8,095,783 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 72,183,096 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, 2016, our directors, executive officers and their affiliates beneficially own, in the aggregate, 58.7% of our issued and outstanding common stock. Specifically, investment funds and entities affiliated with Warburg Pincus own, in the aggregate, 37.0% of our issued and outstanding common stock, and investment funds and entities affiliated with Goldman Sachs own, in the aggregate, approximately 10.8% 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 stockholder*s *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; provided that for so long as investment funds and entities affiliated with Warburg Pincus or Goldman Sachs, collectively, own a majority of our issued and outstanding capital stock, special meetings of our stockholders may be called by the affirmative vote of the holders of a majority of our issued and outstanding voting stock;
- 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; provided that for so long as investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, collectively, own a majority of our issued and outstanding capital stock, a meeting and vote of stockholders may be dispensed with, and the action may be taken without prior notice and without such meeting and vote if a written consent is signed by the holders of issued and outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at the meeting of 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; provided that no advance notice shall be required for nominations of candidates for election to our board of directors pursuant to 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; provided that if a meeting of our board of directors fails to achieve a quorum due to the absence of a director designee of Warburg Pincus or Goldman Sachs, as applicable, the presence of a 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 of directors;
- 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; provided that for so long as investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs have the right to designate at least one director for election to our board of directors, any vacancies will be filled in accordance with the designation provisions 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, and for so long as investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, collectively, hold at least a majority of our issued and outstanding capital stock, our directors, other than a director designated by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, respectively, may be removed with or without cause by the affirmative vote of the holders of a majority of our issued and outstanding capital stock.

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.

We have incurred and expect to continue to incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance with our public company responsibilities and corporate governance practices. We also need to ensure that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis. Failure to maintain proper and effective internal controls could impair our ability to produce accurate and timely financial statements, which could harm our operating results, our ability to operate our business, and our investors' view of us.

As a public company, we have incurred and expect to continue to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The NASDAQ Global Select Market and other applicable securities rules

and regulations impose various requirements on public companies. Our management and other personnel need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations have increased our legal and financial compliance costs and have made some activities more time-consuming and costly. These rules and regulations have made it more difficult and more expensive for us to obtain director and officer liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors.

One aspect of complying with these rules and regulations as a public company is that we are required to ensure that we have adequate financial and accounting controls and procedures in place. Our 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 in accordance with generally accepted accounting principles. This is a costly and time-consuming effort that needs to be re-evaluated periodically.

Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we evaluate, test and document our internal controls and, as a part of that evaluation, documentation and testing, identify areas for further attention and improvement. In order to comply with Section 404, we will need to continue to dedicate internal resources, and potentially recruit additional finance and accounting personnel or engage outside consultants, to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement and maintain a continuous reporting and improvement process for internal control over financial reporting. Implementing and maintaining any appropriate changes to our internal controls may distract our officers and employees, entail substantial costs to modify our existing processes and take significant time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls. Thus, despite our efforts, there is a risk that in the future we will not be able to conclude that our internal control over financial reporting is effective as required by Section 404. Any failure to maintain the adequacy of our internal controls, consequent inability to produce accurate financial statements on a timely basis, or identification and failure to remediate one or more material weaknesses could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements and make it more difficult for us to market and sell our solutions to new and existing subscribers.

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 either Warburg Pincus or Goldman Sachs, together, hold a controlling 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 maintain and expand our existing operations, including through mergers and acquisitions, and 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 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, 2016, we leased approximately 77,000 square feet of office space located in Burlington, Massachusetts, which serves as our corporate headquarters, under a lease that expires in March 2026. In January 2017, we amended the lease to expand our headquarters by approximately 20,000 square feet in 2017 and approximately 17,000 square feet in 2018.

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

- approximately 278,000 square feet of additional leased office space in the United States located primarily in Arizona, Texas, Utah and Washington;
- approximately 154,000 square feet of leased office space outside of the United States located primarily in Brazil, China, India, the United Kingdom 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 and Texas, with approximately 2,800 kilowatts of power under contract.

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

- approximately 226,000 square feet of additional leased office space in the United States located primarily in Massachusetts, Colorado and New York; and
- leased and co-located data center space located primarily in Massachusetts and Texas, with approximately 750 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. Neither the ultimate outcome of the matters listed below nor an estimate of any probable losses or any reasonably possible losses can be assessed at this time.

Endurance

We received a subpoena dated December 10, 2015 from the Boston Regional Office of the SEC, requiring the production of certain documents, including, among other things, documents related to our financial reporting, including operating and non-GAAP metrics, refund, sales and marketing practices and transactions with related parties. We are fully cooperating with the SEC's investigation. We can make no assurances as to the time or resources that will need to be devoted to this investigation or its final outcome, or the impact, if any, of this investigation or any related legal or regulatory proceedings on our business, financial condition, results of operations and cash flows.

On May 4, 2015, Christopher Machado, a purported holder of our common stock, filed a civil action in the United States District Court for the District of Massachusetts against us and our chief executive officer and our former chief financial officer, Machado v. Endurance International Group Holdings, Inc., et al., Civil Action No. 1:15-cv-11775-GAO. In a second amended complaint, filed on March 18, 2016, the plaintiff alleged claims for violations of Section 10(b) and 20(a) of the Exchange Act, on behalf of a purported class of purchasers of our securities between February 25, 2014 and February 29, 2016. Those claims challenged as false or misleading certain of our disclosures about our total number of subscribers, average revenue per subscriber, the number of customers paying over $500 per year for our products and services, the average number of products sold per subscriber, and our customer churn. The plaintiff seeks, on behalf of himself and the purported class, compensatory damages and his costs and expenses of litigation. We filed a motion to dismiss on May 16, 2016, which remains pending. In August 2016, the parties in the Machado action and another potential claimant, who asserts that he purchased common stock in our initial public offering, agreed to toll, as of July 1, 2016, the statutes of limitation and repose for all claims under the

Securities Act of 1933 that the plaintiff and claimant might bring, individually or in a representative capacity, arising from alleged actions or omissions between September 9, 2013 and February 29, 2016. We and the individual defendants intend to deny any liability or wrongdoing and to vigorously defend all claims asserted. We cannot, however, make any assurances as to the outcome of the current proceeding or any additional claims if they are brought.

Constant Contact

On December 10, 2015, Constant Contact received a subpoena from the Boston Regional Office of the SEC, requiring the production of documents pertaining to Constant Contact's sales, marketing, and customer retention practices, as well as periodic public disclosure of financial and operating metrics. We are fully cooperating with the SEC's investigation. We can make no assurances as to the time or resources that will need to be devoted to this investigation or its final outcome, or the impact, if any, of this investigation or any related legal or regulatory proceedings on our business, financial condition, results of operations and cash flows.

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. This litigation remains in its early stages. We and the individual defendants intend to vigorously defend all claims asserted. We cannot, however, make any assurances as to the outcome of this proceeding.

In August 2012, RPost Holdings, Inc., RPost Communications Limited and RMail Limited, or collectively, RPost, filed a complaint in the United States District Court for the Eastern District of Texas that named Constant Contact as a defendant in a lawsuit. The complaint alleged that certain elements of Constant Contact's email marketing technology infringe five patents held by RPost. RPost seeks an award for damages in an unspecified amount and injunctive relief. In February 2013, RPost amended its complaint to name five of Constant Contact's marketing partners as defendants. Under Constant Contact's contractual agreements with these marketing partners, it is obligated to indemnify them for claims related to patent infringement. Constant Contact filed a motion to sever and stay the claims against its partners and multiple motions to dismiss the claims against it. In January 2014, the case was stayed pending the resolution of certain state court and bankruptcy actions involving RPost, to which Constant Contact is not a party. The case continues to be stayed pending the state court and bankruptcy actions. Meanwhile, RPost asserted the same patents asserted against Constant Contact in litigation against Go Daddy. In June 2016, Go Daddy succeeded in invalidating all of those RPost patents. RPost has appealed, and the appellate court is expected to hear oral argument on the appeal in the spring of 2017. The litigation against Constant Contact remains stayed, and is in its early stages. We believe we have meritorious defenses to any claim of infringement and intend to defend against the lawsuit vigorously.

Legal Proceedings Related to the Constant Contact acquisition

On December 11, 2015, a putative class action lawsuit relating to the Constant Contact acquisition, captioned Irfan Chawdry, Individually and On Behalf of All Others Similarly Situated v. Gail Goodman, et al. Case No. 11797, and on December 21, 2015, a putative class action lawsuit relating to the acquisition captioned David V. Myers, Individually and On Behalf of All Others Similarly Situated v. Gail Goodman, et al. Case No. 11828 (together, the Complaints) were filed in the Court of Chancery of the State of Delaware naming Constant Contact, each of Constant Contact's directors, Endurance and Paintbrush Acquisition Corporation as defendants. The Complaints generally alleged, among other things, that in connection with the acquisition the directors of Constant Contact breached their fiduciary duties owed to the stockholders of Constant Contact by agreeing to sell Constant Contact for purportedly inadequate consideration, engaging in a flawed sales process, omitting material information necessary for stockholders to make an informed vote, and agreeing to a number of purportedly preclusive deal protection devices. The Complaints sought, among other things, to rescind the acquisition, as well as award of plaintiffs' attorneys' fees and costs in the action. The Complaints were consolidated on January 12, 2016. On December 5, 2016, plaintiff Myers filed a consolidated amended complaint, or the Amended Complaint, naming as defendants the former Constant Contact directors and Morgan Stanley & Co. LLC, or Morgan Stanley, Constant Contact's financial adviser for the acquisition, alleging breach of fiduciary duty by the former directors, and aiding and abetting the alleged breach by Morgan Stanley. On December 15, 2016, the Constant Contact defendants filed a motion to dismiss. On February 14, 2017, the court approved a briefing schedule for the motion, with defendants' opening brief due March 17, 2017. The defendants believe the claims asserted in the Amended Complaint are without merit and intend to defend against them vigorously.

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". The following table shows the high and low sales price per share of our common stock as reported on the NASDAQ Global Select Market for the periods indicated:

	High	Low
Year Ended December 31, 2015		
First Quarter	$ 20.45	$ 15.92
Second Quarter	$ 23.49	$ 15.82
Third Quarter	$ 22.37	$ 12.11
Fourth Quarter	$ 15.48	$ 10.29
Year Ended December 31, 2016		
First Quarter	$ 11.86	$ 7.45
Second Quarter	$ 11.55	$ 8.37
Third Quarter	$ 9.29	$ 6.55
Fourth Quarter	$ 9.75	$ 6.60

Stockholders

As of January 31, 2017 there were approximately 41 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

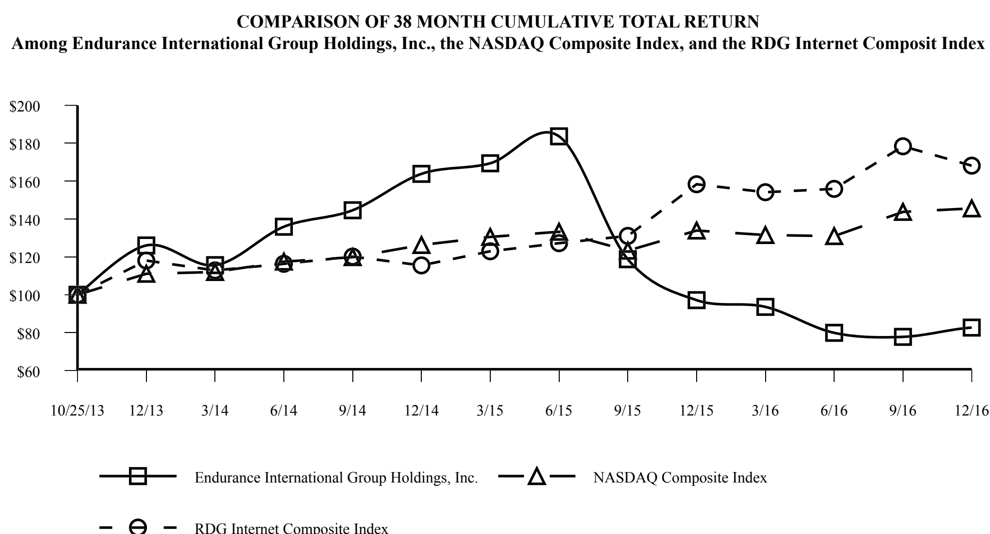
The information concerning our equity compensation plan is incorporated by reference from the information in our Proxy Statement for our 2017 Annual Meeting of Stockholders, which we will file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates.

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 October 25, 2013 (the first date that shares of our common stock were publicly traded) through December 31, 2016. The comparison assumes $100 was invested after the market closed on October 25, 2013 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.



*$100 invested on 10/25/13 in stock or 9/30/13 in index, including investment dividends.
Fiscal year ending December 31.

	10/25/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Endurance International Group Holdings, Inc.	$ 100.00	$ 126.04	$ 115.64	$ 135.91	$ 144.62	$ 163.82	$ 169.42	$ 183.64	$ 118.76	$ 97.16	$ 93.60	$ 79.91	$ 77.78	$ 82.67
NASDAQ Composite Index	$ 100.00	$ 111.08	$ 112.01	$ 117.49	$ 119.85	$ 126.27	$ 130.54	$ 133.26	$ 123.28	$ 133.90	$ 131.53	$ 130.96	$ 143.75	$ 145.60
RDG Internet Composite Index	$ 100.00	$ 118.06	$ 112.86	$ 116.34	$ 120.15	$ 115.51	$ 122.96	$ 127.23	$ 131.07	$ 158.34	$ 154.14	$ 155.90	$ 178.39	$ 168.16

Item 6. Selected Consolidated Financial Data

The consolidated statements of operations data for the years ended December 31, 2014, 2015 and 2016, and the consolidated balance sheet data as of December 31, 2015 and 2016, are derived from our audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data for the year ended December 31, 2012 and 2013, and the consolidated balance sheet data as of December 31, 2012, 2013 and 2014, 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.

	Year Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016
			(in thousands)		
Consolidated Statements of Operations Data:					
Revenue	$ 292,156	$ 520,296	$ 629,845	$ 741,315	$ 1,111,142
Cost of revenue (1)	237,179	350,103	381,488	425,035	583,991
Gross profit	54,977	170,193	248,357	316,280	527,151
Operating expense:					
Sales and marketing	83,110	117,689	146,797	145,419	303,511
Engineering and development	13,803	23,205	19,549	26,707	87,601
General and administrative (3)	48,411	92,347	69,533	90,968	175,379
Total operating expense (2)	145,324	233,241	235,879	263,094	566,491
Income (loss) from operations	(90,347)	(63,048)	12,478	53,186	(39,340)
Total other expense, net	(126,131)	(98,327)	(57,083)	(52,974)	(150,450)
Income (loss) before income taxes and equity earnings of unconsolidated entities	(216,478)	(161,375)	(44,605)	212	(189,790)
Income tax expense (benefit)	(77,203)	(3,596)	6,186	11,342	(109,858)
Loss before equity earnings of unconsolidated entities	(139,275)	(157,779)	(50,791)	(11,130)	(79,932)
Equity loss of unconsolidated entities, net of tax	23	2,067	61	14,640	1,297
Net loss	$ (139,298)	$ (159,846)	$ (50,852)	$ (25,770)	$ (81,229)
Net loss attributable to non-controlling interest	—	(659)	(8,017)	—	(8,398)
Net loss attributable to Endurance International Group Holdings, Inc.	$ (139,298)	$ (159,187)	$ (42,835)	$ (25,770)	$ (72,831)
Net loss per share attributable to Endurance International Group Holdings, Inc. basic and diluted	$ (1.44)	$ (1.55)	$ (0.34)	$ (0.20)	$ (0.55)
Weighted average shares used to compute net loss per share attributable to Endurance International Group Holdings, Inc. basic and diluted	96,562,674	102,698,773	127,512,346	131,340,557	133,415,732

(1) Includes stock-based compensation expense of $26,000, $126,000, $0.5 million, $2.0 million and $5.9 million, for the years ended December 31, 2012, 2013, 2014, 2015, and 2016, respectively. Also includes amortization expense of $88.1 million, $105.9 million, $102.7 million, $91.1 million and $143.6 million for the years ended December 2012, 2013, 2014, 2015 and 2016, respectively.

(2) Includes stock-based compensation expense of $2.3 million, $10.6 million, $15.5 million, $27.9 million and $52.4 million for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, respectively.

(3) Includes transaction expenses of $21.9 million, $38.7 million, $4.8 million, $9.6 million, and $32.3 million for the years ended December 31, 2012, 2013, 2014, 2015, and 2016, respectively.

	2012	2013	2014	2015	2016
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 23,245	$ 66,815	$ 32,379	$ 33,030	$ 53,596
Property and equipment, net	34,604	49,715	56,837	75,762	95,272
Working capital (deficit)	(203,853)	(160,511)	(274,726)	(370,335)	(362,677)
Total assets	1,538,136	1,580,938	1,746,043	1,802,500	2,756,274
Current and long-term debt, net of original issuance discounts and deferred financing costs (1)	1,128,519	1,046,945	1,086,475	1,092,385	1,986,980
Current and long-term capital lease obligations	—	—	8,095	13,081	7,202
Total stockholders’ equity	70,155	155,262	174,496	179,674	124,383

(1) Net of deferred financing costs of $1.5 million, $0.4 million, $0.4 million, $1.0 million and $43.3 million for the years ended December 31, 2012, 2013, 2014, 2015 and 2016, 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 year ended December 31, 2016 is also net of original issuance discount of $25.9 million.

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 5.37 million subscribers globally with a comprehensive suite of products and services that help SMBs get online, get found and grow their businesses. Historically, our products focused largely on web hosting and other basic web presence solutions such as domains, but over time we have expanded to offer security, site backup, premium domains, SEO and SEM, Google Adwords, mobile solutions, social media enablement, website analytics, email marketing and productivity and e-commerce tools, among others. More recently, we have launched additional products and services, including website builders, mobile site builders and new hosting brands, both to satisfy existing subscriber needs and to expand the product gateways through which new subscribers initially reach us. We refer to these newer products and services as "gateway products".

On February 9, 2016, we acquired Constant Contact, Inc., or Constant Contact, a leading provider of online marketing tools that are designed for small organizations, for a total purchase price of approximately $1.1 billion.

Beginning with the fourth quarter and full year 2016, we are reporting our financial results in two reportable segments, web presence and email marketing. The web presence segment generally consists of the products we historically sold prior to the acquisition of Constant Contact, including web hosting, domains, and related web presence products and services, and the email marketing segment consists of the products and services historically offered by Constant Contact, principally email marketing solutions, but also including event marketing, survey tools and our SinglePlatform digital storefront product.

Our 2016 financial results reflected solid free cash flow and better than expected cost synergies from the Constant Contact acquisition, resulting in healthy performance by our email marketing segment, but were below our expectations as of the beginning of 2016 due to the underperformance of our web presence segment. Our web presence segment financial results for 2016 were negatively affected by new gateway products we introduced early in the year, which had higher subscriber acquisition costs and subscriber churn than we originally anticipated. In response to these results, we significantly reduced our marketing investments on gateway products during the second half of the year and have now stopped marketing most of these products altogether. Our web presence segment was also negatively impacted by relatively flat revenue and subscriber growth within our core hosting business, which resulted from several factors, including: flat marketing expenditures relative to 2015 in the first half of 2016 as a result of our focus on gateway products during that period; operational challenges that negatively impacted product, customer support and user experience for some of our key web hosting brands; and trends in the competitive landscape, including an increasing trend among consumers to search for web presence and marketing solutions using brand-related search terms rather than generic search terms such as "shared hosting" or "website builder", which we believe has benefited competitors who have invested more heavily than we have on building consumer awareness of their brands.

In order to address the challenges we encountered in 2016, we plan to focus on the following areas for 2017:

- strengthening our brands that generally attract subscribers with high long-term revenue potential, specifically Constant Contact, HostGator, iPage and Bluehost;
- upgrading the product, customer support and user experience for our key web hosting brands and our website builder product, which we believe will improve customer satisfaction and retention;
- consolidating and improving customer support, including by moving customer support for Bluehost from Utah to our customer support center in Tempe, Arizona;
- growing our brand awareness for key brands, including through radio, podcasts and television marketing; and
- various initiatives to expand revenue streams through expansion of our international business, cross-selling products between our two segments and other product initiatives.

The success of these initiatives depends on a number of factors, including our ability to: successfully improve customer satisfaction and retention in our web presence segment by upgrading our products, customer support and user experience; transfer our Bluehost customer support operations to Tempe in a way that minimizes disruption to subscribers during the transition and positions us to provide a high level of service going forward; and make the engineering and product development changes necessary to facilitate increased cross-selling and other product initiatives. If we are unable to make the necessary upgrades and changes on our currently anticipated timeframe, if these upgrades and changes do not result in the anticipated improvements in customer satisfaction or retention, or if we encounter difficulties or delays in the transfer of Bluehost support to Tempe or in our efforts to consolidate and improve customer support generally, we may not see the results we expect from these initiatives or we may incur greater than expected costs or disruption to our subscribers, which could adversely affect our financial and operating results for the year. See "*Risk Factors*" for further discussion of the risks facing our business.

Summary of 2016 Results

The acquisition of Constant Contact, our increase in debt service related to the Constant Contact acquisition, our investments in our gateway products, and increases in stock-based compensation and impairment charges have had a material effect on our recent financial results. Changes in several key financial metrics are summarized below (in thousands):

	Year Ended December 31, 2015	Year Ended December 31, 2016
Revenue	$ 741,315	$ 1,111,142
Net loss	$ (25,770)	$ (81,229)
Net cash provided by operating activities	$ 177,228	$ 154,961

Our revenue grew from $741.3 million for the year ended December 31, 2015 to $1.1 billion for the year ended December 31, 2016. Substantially all of this this revenue growth was due to the Constant Contact acquisition and to other acquisitions that closed after December 31, 2015. Revenue attributable to our business, excluding the effect of Constant Contact and other acquisitions, was negatively impacted by a number of factors, including those discussed in the "*Overview*" section above.

Our net loss grew from $25.8 million for the year ended December 31, 2015 to $81.2 million for the year ended December 31, 2016. This increase was primarily the result of increased costs incurred in connection with the acquisition of Constant Contact, including interest expense, transaction costs, amortization of intangible assets, and restructuring costs; increased stock-based compensation expense, including expense related to performance based grants of restricted stock; and increased marketing expenses, primarily related to new gateway product launches.

On July 13, 2016, we completed a restructuring of several of our majority-owned entities that were formed to promote our gateway products. The restructuring significantly reduced the potential redemption amount that would be payable to the minority shareholders of these entities in order for us to obtain 100% control of the entities, and gave us the flexibility to reduce investments in our gateway products. Based on these reduced investments, the estimated value of the non-controlling interest held by the minority shareholders is below the expected redemption amount of $25.0 million, which will result in $14.2 million of excess accretion that will reduce income available to common shareholders for the period starting on the date of the restructuring through the redemption date of July 1, 2017. We recognized excess accretion of $6.8 million for the year ended December 31, 2016, which is reflected in net income (loss) attributable to accretion of non-controlling interest in our consolidated statements of operations and comprehensive loss.

Cash provided by operations decreased by $22.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease for the year is primarily due to transaction and restructuring costs incurred to acquire Constant Contact, higher marketing costs to promote gateway products and increased interest expense due to the debt incurred in connection with the acquisition of Constant Contact, which exceeded the operating cash flows contributed by Constant Contact.

Recent Developments

In January 2017, we announced plans to close certain facilities as part of a plan to consolidate web presence customer support operations, principally our Orem, Utah customer support center, which will be closed due to our planned transfer of

customer support operations for our Bluehost brand from Utah to our consolidated Tempe, Arizona customer support facility. As a result of this plan, we expect to incur approximately $8.0 million in charges during fiscal year 2017, mostly related to severance. This action is intended to result in an improved customer support experience. We do not expect a meaningful reduction in support costs from this move.

On January 30, 2017, we completed a registered exchange offer for our 10.875% senior notes due 2024, as required under the registration rights agreement we entered into in connection with our initial issuance of the notes in February 2016 as part of the financing arrangements for our acquisition of Constant Contact. All of the $350.0 million aggregate principal amount of the original notes was validly tendered for exchange.

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 ("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 these key metrics by segment for the periods presented (in thousands, except ARPS):

	Year Ended December 31,		
	2014	2015	2016
Consolidated metrics:			
Total subscribers	4,087	4,669	5,371
Average subscribers	3,753	4,358	5,283
Average revenue per subscriber	$ 13.98	$ 14.18	$ 17.53
Adjusted EBITDA	$ 171,447	$ 219,249	$ 288,396
Web presence segment metrics:			
Total subscribers			4,827
Average subscribers			4,789
Average revenue per subscriber			$ 13.65
Adjusted EBITDA			$ 172,135
Email marketing segment metrics:			
Total subscribers			544
Average subscribers			494
Average revenue per subscriber			$ 55.11
Adjusted EBITDA			$ 116,261

Figures for the year ended December 31, 2016 include the impact of Constant Contact since February 10, 2016, the day after the closing of the acquisition.

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. We refer to these adjustments in this discussion of total subscribers as “Adjustments”. For the fourth quarter of 2016, Adjustments had a net negative impact on our total subscriber count of approximately 33,000 subscribers. For 2016 as a whole, Adjustments had a net positive impact of approximately 59,000 subscribers, as shown in the table below.

Over time, we have expanded our marketing strategy globally to better target customers who are primarily seeking domain names, but who may have the potential to purchase a wider range of additional products and services from us once they are on our platform. As part of this effort, we offer to domain name customers a bundle that includes email, basic hosting, or other products and services in addition to a domain name. We include these customers in our total subscriber count as "light web presence" subscribers, which are further discussed below. As is customary in the industry, these packages are often significantly discounted for the initial term, with price increases applying on renewal. Although our goal with programs designed to attract domain focused subscribers is to expand our marketing funnel and achieve positive marketing yields through renewal at full price and sales of additional products, we may not be successful in achieving these outcomes. We continue to evaluate the results of these programs.

Our subscriber base also includes customers who subscribe to email service, domain privacy or certain other non-hosting subscription services which are generally lower-priced than our hosting packages. In the discussion below, we refer to these subscribers and subscribers on-boarded through the domain-focused programs described above as “light web presence” subscribers. As of December 31, 2016, light web presence subscribers accounted for approximately 506,000 of our total subscribers.

The table below shows the approximate sources of our subscriber growth by segment during 2015 and 2016 (all numbers in thousands). “Acquisitions” refers to the number of total subscribers we acquired due to acquisitions that we completed during the relevant year, as measured at the time of the acquisition.

	Web Presence		**Email Marketing**		**Total**	
	# subscribers	% of growth (1)	# subscribers	% of growth (1)	# subscribers	% of growth (1)
Total Subscribers - December 31, 2014	**4,087**	**— %**	**—**	**— %**	**4,087**	**— %**
Acquisitions	158	27.1 %	—	— %	158	27.1 %
Light web presence subscribers	279	47.9 %	—	— %	279	47.9 %
Adjustments	90	15.5 %	—	— %	90	15.5 %
Core subscriber growth	55	9.5 %	—	— %	55	9.5 %
Total Subscribers - December 31, 2015	**4,669**	**100.0 %**	**—**	**— %**	**4,669**	**100.0 %**
Acquisitions	86	54.4 %	566	104.0 %	652	92.9 %
Light web presence subscribers	62	39.2 %	—	— %	62	8.8 %
Adjustments	59	37.3 %	—	— %	59	8.4 %
Core subscriber growth	(49)	(31.0)%	(22)	(4.0)%	(71)	(10.1)%
Total Subscribers - December 31, 2016	**4,827**	**100.0 %**	**544**	**100 %**	**5,371**	**100.0 %**

(1) Figures in this column show the approximate percentage contribution of each source of subscriber growth shown in the far left column (Acquisitions; Light web presence subscribers; Adjustments; and Core subscriber growth) to aggregate year over year growth in total subscribers.

2016 total subscriber growth was impacted by the factors noted in the "*Overview*" section above. Taken together, the portfolio of key brands that we plan to target for investment during 2017 (including, among others, Constant Contact,

HostGator, iPage, Bluehost, and our site builder brand) showed positive net subscriber adds in the aggregate during 2016, but these positive net adds were outweighed by the negative impact of subscriber losses in non-strategic hosting brands, our cloud storage and backup solution, and discontinued gateway products such as our VPN product. We expect total subscribers to decrease overall and in our web presence segment during 2017, due primarily to the impact of subscriber churn in these non-strategic and discontinued brands. We expect total subscribers to remain flat to slightly down in our email marketing segment.

If we are not successful in addressing the factors that have contributed to our low growth in total subscribers during 2016 and our expected decrease in total subscribers during 2017, we may not be able to return to or maintain positive subscriber growth in the future, which could result in a material adverse effect on our business and financial results.

Average Revenue per Subscriber

Average revenue per subscriber, or ARPS, is a non-GAAP financial measure that we calculate 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. We believe ARPS is an indicator of our ability to optimize our mix of products and services and pricing and sell products and services to new and existing subscribers.

The following table reflects the calculation of ARPS (all data in thousands, except ARPS data):

	Year Ended December 31,		
	2014	**2015**	**2016**
Consolidated revenue	$ 629,845	$ 741,315	$ 1,111,142
Consolidated total subscribers	4,087	4,669	5,371
Consolidated average subscribers for the period	3,753	4,358	5,283
Consolidated average revenue per subscriber (ARPS)	**$ 13.98**	**$ 14.18**	**$ 17.53**
Web presence revenue			$ 784,334
Web presence subscribers			4,827
Web presence average subscribers			4,789
Web presence ARPS			**$ 13.65**
Email marketing revenue			$ 326,808
Email marketing subscribers			544
Email marketing average subscribers			494
Email marketing ARPS			**$ 55.11**

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-subscriber revenue:

- *Revenue from domain-only customers*. We cannot separately quantify revenue attributable to domain-only customers, who are customers that only purchase a domain name from us. Our subscriber definition does not include domain-only customers, which results in generally higher overall ARPS as our revenue used to compute ARPS includes revenue from domain-only customers. Although we cannot separately quantify revenue attributable to domain-only customers, we can measure the total amount of our revenue from domains. Our total revenue from domains, all of which was in our web presence segment, was $91.3 million, $125.2 million, and $127.4 million for the years ended December 31, 2014, 2015 and 2016, respectively.
- *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.
- *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 revenues is for the purchase of domains and is included in the figures shown above for total revenue from domains. Our reseller revenues, excluding the portion included in total revenue from domains, were $23.5 million, $25.4 million and $28.1 million for 2014, 2015 and 2016, respectively. All of our reseller revenues are in our web presence segment.

The table below quantifies, on a consolidated basis and by segment, 2016 domain monetization and marketing development fund revenue (all data in thousands, except ARPS data):

	Year Ended December 31,		
	2014	2015	2016
Consolidated			
Marketing development fund revenue	$ 9,112	$ 12,958	$ 10,150
Marketing development funds - contribution to ARPS	$ 0.20	$ 0.25	$ 0.16
Domain monetization revenue	$ 19,147	$ 39,588	$ 29,282
Domain monetization revenue - contribution to ARPS	$ 0.43	$ 0.76	$ 0.46
Web presence			
Marketing development fund revenue			$ 9,901
Marketing development funds - contribution to ARPS			$ 0.17
Domain monetization revenue			$ 29,282
Domain monetization revenue - contribution to ARPS			$ 0.51
Email marketing			
Marketing development fund revenue			$ 249
Marketing development funds - contribution to ARPS			$ 0.04

For the years ended December 31, 2015 and 2016, consolidated ARPS increased from $14.18 to $17.53, respectively. This increase in ARPS was driven by our email marketing segment due to the acquisition of Constant Contact, which has higher ARPS than the rest of our business, partially offset by lower ARPS from our web presence segment.

Web presence ARPS decreased from $14.18 to $13.65 for the year ended December 31, 2016, due to decreases in domain monetization and marketing development fund revenue, light web presence subscribers and subscribers coming to our platform through lower priced gateway products. Domain monetization revenue decreased in 2016 primarily because there were fewer high-value domains available for sale in our BuyDomains portfolio as compared to 2015.

Email marketing APRS was $55.11 for the period ended December 31, 2016, and was adversely impacted by the application of purchase accounting, which reduced revenue and negatively impacted recognized revenue for this segment by $15.2 million during the year ended December 31, 2016, resulting in a reduction in ARPS of $2.56. Our definition of total subscribers is different from the pre-acquisition subscriber definition previously used by Constant Contact because our definition only counts customers who have a direct billing relationship with us. As a result, the total subscriber count for the email marketing segment is approximately 15% lower than the count that would have resulted from using Constant Contact's pre-acquisition subscriber definition, which resulted in a corresponding increase in ARPS.

Consolidated ARPS increased from $13.98 for the year ended December 31, 2014 to $14.18 for the year ended December 31, 2015. The primarily factors in this increase were increased revenue from non-subscribers, which added $0.38 to ARPS, and the impact of purchase accounting on deferred revenues related to acquisitions. Purchase accounting contributed $0.39 to the year over year increase in ARPS because it reduced ARPS more significantly in 2014 than it did in 2015. These increases in ARPS were partially offset by an increase in light web presence subscribers.

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) loss of unconsolidated entities, and impairment of other long-lived assets. We view adjusted EBITDA as a performance measure and believe it helps investors evaluate and compare our core operating performance from period to period.

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

Consolidated	Year Ended December 31, 2014	2015	2016
		(in thousands)	
Net loss	$ (50,852)	$ (25,770)	$ (81,229)
Interest expense, net (including impact of amortization of deferred financing costs and original issuance discount)	57,083	58,414	152,312
Income tax expense (benefit)	6,186	11,342	(109,858)
Depreciation	30,956	34,010	60,360
Amortization of other intangible assets	102,723	91,057	143,562
Stock-based compensation	16,043	29,925	58,267
Restructuring expenses	4,460	1,489	24,224
Transaction expenses and charges	4,787	9,582	32,284
(Gain) loss of unconsolidated entities(1)	61	9,200	(565)
Impairment of other long lived assets	—	—	9,039
Adjusted EBITDA	**$ 171,447**	**$ 219,249**	**$ 288,396**

Web presence	Year Ended December 31, 2016
	(in thousands)
Net loss	$ (25,372)
Interest expense, net (including impact of amortization of deferred financing costs and original issuance discount)	70,843
Income tax expense (benefit)	(76,315)
Depreciation	36,613
Amortization of other intangible assets	78,883
Stock-based compensation	45,864
Restructuring expenses	1,845
Transaction expenses and charges	31,300
(Gain) loss of unconsolidated entities(1)	(565)
Impairment of other long lived assets	9,039
Adjusted EBITDA	$ 172,135

Email marketing	Year Ended December 31, 2016
	(in thousands)
Net loss	$ (55,857)
Interest expense, net (including impact of amortization of deferred financing costs and original issuance discount)	81,469
Income tax expense (benefit)	(33,543)
Depreciation	23,747
Amortization of other intangible assets	64,679
Stock-based compensation	12,403
Restructuring expenses	22,379
Transaction expenses and charges	984
Adjusted EBITDA	$ 116,261

(1) The (gain) loss of unconsolidated entities is reported on a net basis for the years ended December 31, 2015 and 2016. The year ended December 31, 2015 includes our proportionate share of net losses from unconsolidated entities of $14.6 million, partially offset by the $5.4 million gain for the redemption of our equity interest in World Wide Web Hosting (Site5). The year ended December 31, 2016 includes a loss of $4.8 million on our investment in AppMachine. This loss was generated on July 27, 2016, when we increased our ownership stake in AppMachine from 40% to 100%, which required a revaluation of our existing investment to its implied fair value. The year ended December 31, 2016 also includes an $11.4 million gain on our investment in WZ UK. This gain was generated on January 6, 2016, when we increased our ownership stake in WZ UK from 49% to 57.5%, which required a revaluation of our existing investment to its implied fair value. The year ended December 31, 2016 also includes a loss of $4.7 million on the impairment of our 33% equity investment in Fortifico Limited. Finally, the year ended December 31, 2016 also includes a net loss of $1.3 million from our proportionate share of net losses from unconsolidated entities.

Net loss on a consolidated basis, and from the web presence segment, decreased from $50.9 million for the year ended December 31, 2014 to $25.8 million for the year ended December 31, 2015 primarily as a result of our revenue growth, including revenue growth associated with acquisitions and a reduction in amortization of intangible assets. The impact of these factors was partially offset by increased investments in engineering and development and higher stock-based compensation expense, which primarily impacted general and administrative expenses.

Net loss on a consolidated basis increased from $25.8 million for the year ended December 31, 2015 to $81.2 million for the year ended December 31, 2016. Most of this increase was the result of increased costs incurred primarily in connection with our acquisition of Constant Contact, including increased interest expense of $93.9 million, increased transaction costs of $22.7 million, increased amortization of intangible assets of $52.5 million and restructuring expenses of $22.7 million to integrate operations. Additionally, we incurred higher stock-based compensation expenses of $28.3 million due to increased equity awards, including a $5.1 million increase related to grants of performance-based restricted stock to executive officers, and new awards due to our Constant Contact acquisition of $12.4 million. We also increased our marketing expenses to launch our new gateway products, which increased net loss by $59.0 million, and incurred impairment charges totaling $9.0 million. These increases in our costs were partially offset by an income tax benefit of $109.9 million and by increased operating profit due primarily to the acquisition of Constant Contact, and to a lesser extent to growth in other parts of our business.

Net loss for our web presence segment decreased slightly from $25.8 million for the year ended December 31, 2015 to $25.4 million for the year ended December 31, 2016. This decrease was primarily due an income tax benefit of $76.3 million, lower amortization expense of $12.2 million, reduced losses from unconsolidated entities of $9.8 million and improved profitability from certain web presence products, which was partially offset by $59.0 million in net losses incurred to launch our new gateway products, $21.7 million of higher transaction costs to acquire Constant Contact, higher stock-based compensation expense of$15.9 million, mainly due to increased grants of awards, increased interest expense of $12.4 million and impairment charges of $9.0 million.

Net loss for our email marketing segment for the year ended December 31, 2016 was $55.9 million, all of which pertained to the acquisition of Constant Contact.

Adjusted EBITDA on a consolidated basis, and for the web presence segment, increased from $171.4 million for the year ended December 31, 2014 to $219.2 million for the year ended December 31, 2015. This increase in adjusted EBITDA was primarily a result of the factors resulting in our reduced net loss during this period, as described above.

Adjusted EBITDA on a consolidated basis increased from $219.2 million for the year ended December 31, 2015 to $288.4 million for the year ended December 31, 2016. Substantially all of this increase is attributable to our email marketing segment due to the acquisition of Constant Contact, which was partially offset by losses incurred by our web presence segment to launch new gateway products.

Adjusted EBITDA for our email marketing segment for the year ended December 31, 2016 was $116.3 million, and is entirely attributable to our acquisition of Constant Contact. Email marketing adjusted EBITDA was adversely impacted by the purchase accounting write-down of acquired deferred revenues, which decreased revenue by $15.2 million for the year ended December 31, 2016. Email marketing adjusted EBITDA for the pre-acquisition period from January 1, 2016 through February 9, 2016 was $7.9 million. Email marketing adjusted EBITDA separately reported by Constant Contact (adjusted to conform to our definition of adjusted EBITDA) for the year ended December 31, 2015 was $72.4 million. The increase in email marketing adjusted EBITDA is primarily the result of cost reduction actions undertaken following the acquisition. The following table reflects the reconciliation of adjusted EBITDA to net loss calculated in accordance with GAAP for the periods presented for Constant Contact for the pre-acquisition periods from January 1, 2016 through February 9, 2016 and for the year ended December 31, 2015:

	Email marketing segment	
	For the pre-acquisition period from January 1, 2016 through February 9, 2016	For the pre-acquisition year ended December 31, 2015
	(in thousands)	
Net income (loss)	$ (8,038)	$ 19,190
Interest expense (income), net	—	(317)
Income tax expense (benefit)	(6,023)	7,998
Depreciation	2,721	23,313
Amortization of other intangible assets	138	1,583
Stock-based compensation	1,809	18,040
Transaction expenses and charges	17,281	2,561
Adjusted EBITDA	**$ 7,888**	**$ 72,368**

Adjusted EBITDA for our web presence segment decreased from $219.2 million for the year ended December 31, 2015 to $172.1 million for the year ended December 31, 2016. This decrease is the result of higher marketing investments in our gateway products, which negatively impacted adjusted EBITDA by $55.8 million, and lower non-subscriber revenues of $13.1 million, primarily because there were fewer high-value domains available for sale in our BuyDomains portfolio as compared to 2015. These decreases were partially offset by increased adjusted EBITDA from our other web presence brands.

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 auto renew a subscription at the end of the subscription period. Due to factors such as introductory pricing, our renewal fees may be higher than our initial subscription. Our web presence segment sells more subscriptions with 12 month terms than with any other term length, 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. We expect our revenue to increase modestly in future periods.

Cost of Revenue

Cost of revenue includes costs of operating our subscriber support organization, fees we pay to register domain names for our subscribers, 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 subscriber support activities. In addition, cost of revenue includes stock-based compensation expense for employees engaged in support and network operations. We expect cost of revenue to increase in absolute dollars in future periods as we increase our revenue, particularly in the near term during 2017, since we will incur overlapping customer support costs as we transition our Utah customer support location to Tempe, Arizona. We generally expect cost of revenue to decrease as a percentage of revenue due to decreasing amortization expense on our 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 from growth 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. In addition, our revenue and our cost of revenue have increased in recent years as our subscriber base has expanded. For a new subscriber 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 expenses due to the significance of the costs incurred to acquire Constant Contact. Although our operating expenses will increase as a result of the Constant Contact acquisition, we achieved approximately $70.0 million in cost synergies for the combined business, with a majority of those cost reductions impacting operating expenses. In connection with these cost reduction plans, we incurred approximately $22.2 million of restructuring charges through the year ended December 31, 2016, consisting of severance and facility exit related charges.

Sales and Marketing

Sales and marketing expense primarily consists of costs associated with bounty payments to our network of online partners, SEM and 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 subscribers to our solutions, changes in how we invest in different subscriber 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. We expect our sales and marketing in 2017 to remain relatively flat relative to 2016 as we decrease our spend on our gateway products and incur a full year of sales and marketing expense from Constant Contact.

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. We expect that our engineering and development spend will grow moderately in 2017 in absolute dollars relative to 2016 as we incur a full year of engineering and development expense from Constant Contact.

General and Administrative

General and administrative expense includes the cost of employees engaged in corporate functions, such as finance and accounting, human resources, legal and executive management. General and administrative expense also includes all facility and related overhead costs not allocated to cost of revenue, as well as insurance premiums, professional service fees, and costs incurred related to regulatory and litigation matters. General and administrative expense also includes stock-based compensation expense for employees engaged in general and administrative activities. We expect that our general and administrative expenses will grow moderately in 2017 relative to 2016 because we will have a full year of general and administrative expenses from Constant Contact.

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 the amortization of the net present value adjustment which we may apply to some deferred consideration payments related to our acquisitions. Interest income consists primarily of interest income earned on our cash and cash equivalents balances. We expect our interest expense to increase in 2017 as we will have a full year of the new debt that we incurred in connection with our acquisition of Constant Contact. Other income (expense) also includes gains or losses recognized on investments in unconsolidated entities.

Income Tax Expense (Benefit)

We estimate our income taxes in accordance with the asset and liability method, under which deferred tax assets and liabilities are recognized based on temporary differences between the assets and liabilities in our consolidated financial statements and the financial statements that are prepared in accordance with tax regulations for the purpose of filing our income tax returns, using statutory tax rates. This methodology requires us to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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.

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, and
- 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, delivery of an authorization key to access the domain name has occurred, the fee for the sale of the premium domain is fixed or determinable, and collection of the fee for the sale of the premium domain is deemed probable.

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.

A substantial amount of our revenue is generated from transactions that are multiple-element service arrangements that may include hosting plans, domain name registrations, and other cloud-based products and services.

We follow the provisions of the Financial Accounting Standards Board, or FASB, Accounting Standards Update No. 2009-13, or ASU 2009-13, *Revenue Recognition (Topic 605), Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force,* and allocate revenue to each deliverable in a multiple- element service arrangement based on its respective relative selling price.

Under ASU 2009-13, to treat deliverables in a multiple-element service arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, we account for each deliverable separately. Hosting services, domain name registrations, cloud-based products and services have standalone value and are often sold separately.

When multiple deliverables included in a multiple-element service arrangement are separated into different units of accounting, the total transaction amount is allocated to the identified separate units based on a relative selling price hierarchy. We determine the relative selling price for a deliverable based on vendor specific objective evidence, or VSOE, of fair value, if available, or best estimate of selling price, or BESP, if VSOE is not available. We have determined that third-party evidence of selling price, or TPE, is not a practical alternative due to differences in our multi-brand offerings compared to competitors and the availability of relevant third-party pricing information. We have not established VSOE for our offerings due to lack of pricing consistency, the introduction of new products, services and other factors. Accordingly, we generally allocate revenue to the deliverables in the arrangement based on the BESP. We determine BESP by considering our relative selling prices, competitive prices in the marketplace and management judgment; these selling prices, however, may vary depending upon the particular facts and circumstances related to each deliverable. We analyze the selling prices used in our allocation of transaction amount, at a minimum, on a quarterly basis. Selling prices will be analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis.

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 $0.5 million and $0.6 million as of December 31, 2015 and 2016, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2015 and 2016 was $1.8 million and $2.1 million, respectively. Based on refund history, approximately 81% of all refunds happen in the same fiscal month that the customer contract starts or renews, and approximately 94% of all refunds happen within 45 days of the contract start or renewal date.

Goodwill

Goodwill relates to amounts that arose in connection with our 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 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 Accounting Standards Update No. 2011-08, or ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350) Testing Goodwill for Impairment*, we are required to review goodwill by reporting unit for impairment at least

annually or more often if there are indicators of impairment present. Under U.S. GAAP, a reporting unit is either the equivalent of, or one level below, an operating segment. During 2016, we determined that we have two reporting units, and each unit is its own reporting segment. Changes in operations may cause us to evaluate our conclusion on operating segments and reporting units. We perform our annual impairment analysis as of December 31 each year. The provisions of ASU 2011-08 require us to perform a two-step impairment test for goodwill. In the first step, we compare the fair value of each reporting unit to which goodwill has been allocated to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is considered not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. We have assessed fair value based on current market capitalization. As of December 31, 2015 and 2016, the fair value of both of our reporting units exceeded the carrying value of the reporting unit's net assets and, therefore, no impairment existed as of these dates.

As of December 31, 2016, we had goodwill of $1.3 billion in our web presence reporting unit and $604.3 million in our email marketing unit, for a total goodwill of $1.9 billion. We did not recognize any impairment of goodwill in either of our reporting units for the years ended December 31, 2014, 2015 or 2016.

Long-Lived Assets

Our long-lived assets consist primarily of intangible assets, including acquired subscriber relationships, trade names, intellectual property, developed technology, domain names available for sale and in-process research and development ("IPR&D"). 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, which we refer to as the Sponsor Acquisition. 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 is 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.

We did not recognize any impairments of long-lived intangible and tangible assets in the years ended December 31, 2014 and 2015.

During the year ended December 31, 2016, we determined that a portion of an internally developed software tool would not meet our needs following the acquisition of Constant Contact, resulting in an impairment charge of $2.0 million which was recorded in engineering and development expense in the consolidated statements of operations and comprehensive loss in our web presence segment.

Additionally, we recognized an impairment charge of $4.9 million for technology assets related to Webzai, which was recorded in engineering and development expense in the consolidated statements of operations and comprehensive loss in our web presence segment.

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.

Acquired IPR&D represents the fair value assigned to research and development that we acquire that has not been completed at the date of acquisition. Acquired IPR&D is capitalized as an intangible asset and reviewed on a quarterly basis to determine future use. Any impairment loss of acquired IPR&D is charged to expense in the period the impairment is identified.

Upon commercialization, the acquired fair value of the IPR&D will be reclassified to developed technology and amortized over its useful life. No such impairment losses were identified during the years ended December 31, 2014 or 2015.

During the year ended December 31, 2016, we incurred total charges of $2.2 million to impair certain acquired IPR&D relating to projects that were abandoned in favor of other projects. This consisted of a charge of $1.4 million and $0.8 million to impair certain acquired IPR&D projects from the Webzai and AppMachine acquisitions, respectively.

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 also 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. There were no unrecognized tax benefits in the years ended December 31, 2014, 2015 or 2016.

We record interest related to unrecognized tax benefits in interest expense and penalties in operating expense. We did not recognize any interest or penalties related to unrecognized tax benefits during the years ended December 31, 2014, 2015 or 2016.

In 2014, a significant amount of our GAAP foreign losses were generated by our subsidiaries organized in the United Kingdom and the United Arab Emirates (the "U.A.E."). In 2014, the foreign rate differential predominantly relates to these jurisdictions. Our foreign rate differential in 2014 has a negative impact on our expected benefit since the majority of the foreign losses are generated in jurisdictions where the statutory tax rate is lower than the U.S. statutory rate – specifically the United Kingdom, which had a statutory tax rate of 20% and represents $22.5 million of our foreign losses, and the U.A.E., which has a statutory tax rate of 0% and represents $6.2 million of our foreign losses.

In 2015, a significant amount of our GAAP foreign losses were generated by our subsidiaries in the U.A.E. and Israel. The foreign rate differential in 2015 predominantly related to these jurisdictions. Our foreign rate differential in 2015 had a negative impact on our expected tax expense since the majority of the foreign losses are generated in jurisdictions where the statutory tax rate is lower than the U.S. statutory rate – specifically the U.A.E., which has a statutory tax rate of 0% and represents $2.4 million of our foreign losses, and Israel, which had a statutory tax rate of 26.5% and represents $2.5 million of our foreign losses.

In 2016, a significant amount of our GAAP foreign losses were generated by our subsidiaries in the United Kingdom, U.A.E. and Israel. The foreign rate differential in 2016 predominantly related to these jurisdictions. Our foreign rate differential in 2016 had a negative impact on our expected tax expense since the majority of the foreign losses are generated in jurisdictions where the statutory tax rate is lower than the U.S. statutory rate – specifically the United Kingdom, which has a statutory tax rate of 18% and represents $43.8 million of our foreign losses, the U.A.E., which has a statutory tax rate of 0% and represents $2.1 million of our foreign losses, and Israel, which has a statutory tax rate of 25% and represents $8.3 million of our foreign losses.

We describe our accounting treatment of taxes more fully in Note 14 of the notes to the consolidated financial statements in 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.

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, 2016. 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 an average of the historical volatility measures of this peer group of companies. 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.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the consolidated statements of cash flows. This amendment is effective for annual periods beginning after December 15, 2016, and early adoption is permitted.

We elected to early adopt the new guidance in the fourth quarter of fiscal year 2016 which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. We elected to eliminate the forfeiture rate estimate and adopted the new policy to account for forfeitures in the period that they are incurred, and applied this policy on a modified retrospective basis. The impact of eliminating the forfeiture rate estimate increased stock compensation expense recorded in 2016 by $0.9 million, which included an immaterial adjustment to beginning retained earnings that we recorded through the consolidated statement of operations and comprehensive loss.

Prior to January 1, 2016, we recognized the excess tax benefits of stock-based compensation expense as additional paid-in capital ("APIC"), and tax deficiencies of stock-based compensation expense in the income tax provision or as APIC to the extent that there were sufficient recognized excess tax benefits previously recognized. As a result of the prior guidance that excess tax benefits reduce taxes payable prior to being recognized as an increase in paid in capital, we had not recognized certain deferred tax assets (all tax attributes such as loss or credit carryforwards) that could be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting.

Effective as of January 1, 2016, we early adopted a change in accounting policy in accordance with ASU 2016-09 to account for excess tax benefits and tax deficiencies as income tax expense or benefit, treated as discrete items in the reporting period in which they occur, and to recognize previously unrecognized deferred tax assets that arose directly from (or the use of which was postponed by) tax deductions related to equity compensation in excess of compensation recognized for financial reporting. No prior periods were restated as a result of this change in accounting policy as we previously maintained a valuation allowance against our deferred tax assets that could be attributed to equity compensation in excess of compensation recognized for financial reporting.

Due to our net shortfall position at the time of adoption, the new standard resulted in the recognition of income tax expense in our provision for income taxes of $0.9 million rather than paid-in capital for the year ended December 31, 2016. The adoption of ASU 2016-09 could create volatility in our future effective tax rate.

Segment Information

In February 2016, we acquired Constant Contact. At the time of the acquisition, we anticipated that the gross margins of Constant Contact would become more aligned with our other brands; however, through review of Constant Contact's performance during 2016, we noted that Constant Contact continued to return higher margins than originally anticipated, and therefore determined that Constant Contact should be its own reporting segment. As such, we determined that we have two reportable segments: the web presence segment, which consists primarily of our web hosting brands and related products such as domain names, website security tools, website design tools and services, ecommerce tools and other services designed to grow the online presence of a small business; and the email marketing segment, which consists of the Constant Contact email marketing tools and the SinglePlatform marketing tool, both of which were acquired in the February 2016 acquisition of Constant Contact.

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,		
	2014	2015	2016
		(in thousands)	
Revenue	$ 629,845	$ 741,315	$ 1,111,142
Cost of revenue	381,488	425,035	583,991
Gross profit	248,357	316,280	527,151
Operating expense:			
Sales and marketing	146,797	145,419	303,511
Engineering and development	19,549	26,707	87,601
General and administrative	64,746	81,386	143,095
Transaction expenses	4,787	9,582	32,284
Total operating expense	235,879	263,094	566,491
Income (loss) from operations	12,478	53,186	(39,340)
Other income (expense)	(57,083)	(52,974)	(150,450)
Income (loss) before income taxes and equity earnings of unconsolidated entities	(44,605)	212	(189,790)
Income tax expense (benefit)	6,186	11,342	(109,858)
Loss before equity earnings of unconsolidated entities	(50,791)	(11,130)	(79,932)
Equity loss of unconsolidated entities, net of tax	61	14,640	1,297
Net loss	$ (50,852)	$ (25,770)	$ (81,229)
Net loss attributable to non-controlling interest	(8,017)	—	(8,398)
Net loss attributable to Endurance International Group Holdings, Inc.	$ (42,835)	$ (25,770)	$ (72,831)

Comparison of the Years Ended December 31, 2015 and 2016

Revenue

	Year Ended December 31,		Change	
	2015	2016	Amount	%
		(dollars in thousands)		
Revenue	$ 741,315	$ 1,111,142	$ 369,827	50%

Revenue increased by $369.8 million, or 50%, from $741.3 million for the year ended December 31, 2015 to $1.1 billion for the year ended December 31, 2016. Almost all of this increase, or $359.9 million, is attributable to revenues, including growth and synergies, from the acquisitions of businesses that were not part of our business for all or most of the year ended December 31, 2015, principally Constant Contact. The remaining balance of the increase is attributable primarily to revenue generated from our gateway products.

Our revenues are 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 revenues through domain monetization and marketing development funds. Non-subscription revenues decreased from $52.5 million, or 7% of total revenue for the year ended December 31, 2015 to $39.4 million, or 4% of revenue for the year ended December 31, 2016, primarily because there were fewer high-value domains available for sale in our BuyDomains portfolio as compared to 2015.

Our web presence segment revenue increased by $43.0 million, or 6%, from $741.3 million for the year ended December 31, 2015 to $784.3 million for the year ended December 31, 2016. This increase includes $33.1 million from the acquisitions of

businesses that were not part of our business for all or most of the year ended December 31, 2015, and the balance of $9.9 million is attributable to other growth within this segment.

Our email marketing segment revenue was $326.8 million for the year ended December 31, 2016 and is entirely attributable to the acquisition of Constant Contact. Email marketing revenues were adversely impacted by the purchase accounting write-down of acquired deferred revenues, which decreased revenue by $15.2 million for the year ended December 31, 2016. Revenues earned by this segment for the pre-acquisition period from January 1, 2016 up to the acquisition date of February 9, 2016 were $41.1 million and are not included in our results of operations. Revenues separately reported by Constant Contact (as a standalone company) for the year ended December 31, 2015 were $367.4 million. Including the $41.1 million in revenues for the 2016 pre-acquisition period and disregarding the negative $15.2 million impact of purchase accounting, the Constant Contact business grew by $15.7 million, or 4%, for the year ended December 2016 as compared to the prior year.

Form 10-K

Cost of Revenue

	Year Ended December 31,					
	2015		2016		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Cost of revenue	$ 425,035	57%	$ 583,991	53%	$ 158,956	37%

Cost of revenue increased by $159.0 million, or 37%, from $425.0 million for the year ended December 31, 2015 to $584.0 million for the year ended December 31, 2016. Of this increase, $153.6 million was due to increased cost of revenue attributable to Constant Contact, including amortization expense of $64.7 million. The remaining increase was primarily due to increases in costs of $25.6 million associated with other acquisitions that were not part of the business for the year ended December 31, 2015 and expansion of our gateway products, and $3.9 million in additional stock based compensation. These increases were partially offset by a $12.2 million net decrease in amortization expense related primarily to acquisitions before January 1, 2016, and a decrease of $5.4 million in integration costs for acquisitions that were migrated in 2016.

Our cost of revenue contains a significant portion of non-cash expenses, in particular amortization expense for the intangible assets we have acquired through our acquisitions and the Sponsor Acquisition. The following table sets forth the significant non-cash components of cost of revenue.

	Year Ended December 31,	
	2015	2016
	(in thousands)	
Amortization expense	$ 91,057	$ 143,562
Depreciation expense	31,170	48,120
Stock-based compensation expense	1,975	5,855

Cost of revenue for our web presence segment increased by $5.3 million, or 1%, from $425.0 million for the year ended December 31, 2015 to $430.3 million for the year ended December 31, 2016. The increase is primarily due to acquisitions and the expansion of our gateway products, which has been partially offset by lower amortization of intangible assets.

Cost of revenue for our email marketing segment was $153.6 million for the year ended December 31, 2016, and is entirely attributable to our acquisition of Constant Contact. Cost of revenue incurred by this segment for the pre-acquisition period from January 1, 2016 up to the acquisition date of February 9, 2016 was $11.6 million, and was not included in our results of operations. Cost of revenue separately reported by Constant Contact (as a standalone company) for this segment were $98.5 million for the year ended December 31, 2015. The increase in cost of revenues for the email marketing segment from the year ended December 31, 2015 to the 2016 period is primarily due to increased amortization expense of $63.1 million.

Gross Profit

	Year Ended December 31,					
	2015		2016		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Gross profit	$ 316,280	43%	$ 527,151	47%	$ 210,871	67%

Gross profit increased by $210.9 million, or 67%, from $316.3 million for the year ended December 31, 2015 to $527.2 million for the year ended December 31, 2016. Approximately $173.2 million of this increase was due to gross profit contribution attributable to Constant Contact. Of the remaining $37.7 million increase, $17.3 million is primarily attributable to increases in our subscriber base from acquisitions other than Constant Contact and increased revenue from our gateway products. An additional $12.2 million is attributable to a net decrease in amortization expense primarily related to acquisitions before January 1, 2016, and a decrease of $5.4 million in integration costs for acquisitions that were migrated in 2016. Our gross profit as a percentage of revenue increased by 4 percentage points from 43% for the year ended December 31, 2015 to 47% for the year ended December 31, 2016, mainly due to the acquisition of Constant Contact, since Constant Contact products generally have a higher gross profit percentage as compared to our other products.

The following table sets forth gross profit and the significant non-cash components of cost of revenue as a percentage of revenue:

	Year Ended December 31,	
	2015	2016
	(dollars in thousands)	
Revenue	$ 741,315	$ 1,111,142
Gross profit	316,280	527,151
Gross profit % of revenue	43%	47%
Amortization expense % of revenue	12%	13%
Depreciation expense % of revenue	4%	4%
Stock-based compensation expense % of revenue	*	*

* Less than 1%.

Our web presence segment gross profit increased by $37.7 million from $316.3 million for the year ended December 31, 2015 to $354.0 million for the year ended December 31, 2016. The increase was primarily due to acquisitions and gateway products, and lower amortization of intangible assets, as mentioned above. Our web presence gross profit as a percentage of revenue was 45% for the year ended December 31, 2016 as compared to 43% in the prior year. Lower amortization of intangible assets was the primary reason for the increase.

Our email marketing segment gross profit was $173.2 million and is entirely attributable to the acquisition of Constant Contact. Gross profit for this segment for the pre-acquisition period from January 1, 2016 up to the acquisition date of February 9, 2016 was $29.4 million, and is not included in our results of operations. Gross profit for the period ended December 31, 2016 was adversely impacted by the write down of deferred revenues as of the acquisition date, which reduced gross profit by $15.2 million for the 2016 period. Our email marketing gross profit as a percentage of revenue was 53% for the year ended December 31, 2016. Gross profit as a percentage of revenue separately reported by Constant Contact (as a standalone company) for this segment for the year ended December 31, 2015 was 73%. The decrease in gross profit percentage was the result of increased amortization of intangible assets, which amounted to 20% of revenues for this segment for the period ended December 31, 2016.

Operating Expense

	Year Ended December 31,					
	2015		2016		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Sales and marketing	$ 145,419	20%	$ 303,511	27%	$ 158,092	109%
Engineering and development	26,707	4%	87,601	8%	$ 60,894	228%
General and administrative	81,386	11%	143,095	13%	$ 61,709	76%
Transaction expenses	9,582	1%	32,284	3%	$ 22,702	237%
Total	$ 263,094	36%	$ 566,491	51%	$ 303,397	115%

Sales and Marketing. Sales and marketing expense increased by $158.1 million, or 109%, from $145.4 million for the year ended December 31, 2015 to $303.5 million for the year ended December 31, 2016. Of this increase, $95.1 million was due to increases in sales and marketing expense attributable to Constant Contact and the remaining $63.0 million increase was attributable to increased expense for our web presence segment.

Sales and marketing expense for our web presence segment increased by $63.0 million, or 43%, from $145.4 million for the year ended December 31, 2015 to $208.4 million for the year ended December 31, 2016. This increase was primarily attributable to launches of gateway products of $69.0 million and a $2.2 million increase in stock-based compensation expense, partially offset by lower spending on our legacy products.

Sales and marketing expense for our email marketing segment was $95.1 million and is entirely attributable to our acquisition of Constant Contact. Sales and marketing expense incurred by this segment for the pre-acquisition period from January 1, 2016 up to the acquisition date of February 9, 2016 was $16.4 million, and is not included in our results of operations. Sales and marketing expense separately reported by Constant Contact (as a standalone company) for this segment for the year ended December 31, 2015 was $136.2 million. The decrease in sales and marketing expense for this segment is primarily due to cost reduction actions taken after the acquisition of Constant Contact.

Engineering and Development. Engineering and development expense increased by $60.9 million, or 228%, from $26.7 million for the year ended December 31, 2015 to $87.6 million for the year ended December 31, 2016. Of this increase, $46.9 million was due to increases in engineering and development expense attributable to Constant Contact. The remaining increase was attributable to increased expense for our web presence segment.

Engineering and development expenses for our web presence segment increased by $14.0 million, or 52%, from $26.7 million for the year ended December 31, 2015 to $40.7 million for the year ended December 31, 2016. This increase was primarily attributable to $9.0 million of impairment charges and a $1.3 million increase in stock-based compensation. Impairment charges consisted of $2.0 million to write off an internally developed software tool which we determined did not meet our needs following the acquisition of Constant Contact, a $6.3 million charge to write off certain technology assets for Webzai Ltd. and a $0.8 million charge to write off certain intangible technology assets related to the AppMachine acquisition.

Engineering and development expense for our email marketing segment was $46.9 million for the period ended December 31, 2016. Engineering and development expense incurred by this segment for the pre-acquisition period from January 1, 2016 up to the acquisition date of February 9, 2016 was $7.0 million, and is not included in our results of operations. Engineering and development expense separately reported by Constant Contact (as a standalone company) for this segment for the year

ended December 31, 2015 was $57.1 million. The decrease in engineering and development expense for this segment is primarily due to cost reduction actions taken after the acquisition of Constant Contact.

General and Administrative. General and administrative expense increased by $61.7 million, or 76%, from $81.4 million for the year ended December 31, 2015 to $143.1 million for the year ended December 31, 2016. Of this increase, $38.1 million was due to increases in general and administrative expense attributable to Constant Contact, and the remaining balance of the increase, or $23.6 million, related to increased expenses for our web presence segment.

General and administrative expense for our web presence segment increased by $23.6 million, or 29%, from $81.4 million for the year ended December 31, 2015 to $105.0 million for the year ended December 31, 2016. This increase is primarily due to increased stock-based compensation of $9.9 million, additional payroll and labor costs of $4.7 million due to an increase in headcount, an additional $3.6 million in audit, tax and insurance costs and additional legal fees of $2.3 million, principally related to expenses for SEC subpoenas and securities class action lawsuits.

General and administrative expense for our email marketing segment was $38.1 million for the period ended December 31, 2016. General and administrative expense incurred by this segment for the pre-acquisition period from January 1, 2016 to February 9, 2016 was $2.8 million. General and administrative expense separately reported by Constant Contact (as a standalone company) for this segment for the year ended December 31, 2015 was $46.2 million. The decrease in general and administrative expense for this segment was primarily due to cost reduction actions taken after the acquisition of Constant Contact.

Transaction Expenses. Transaction expenses increased by $22.7 million, or 237%, from $9.6 million for the year ended December 31, 2015 to $32.3 million for the year ended December 31, 2016. The period-over-period increase was primarily attributable to costs related to our acquisition of Constant Contact in February 2016.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2015	2016	Amount	%
	(dollars in thousands)			
Other expense, net	$ (52,974)	$ (150,450)	$ (97,476)	184%

Other expense, net increased by $97.5 million, or 184%, from $53.0 million for the year ended December 31, 2015 to $150.5 million for the year ended December 31, 2016. The increase is primarily due to an $83.7 million increase in interest expense, including service fees, related to our indebtedness. Additionally, there was an increase of $6.0 million in amortization of deferred financing fees and a $3.0 million increase in original issue discounts, as well as an increase of $1.4 million of accretion of present value for the deferred consideration related to the AppMachine, Webzai, BuyDomains and Ace Data Center acquisitions.

Income Tax Expense (Benefit)

	Year Ended December 31,		Change	
	2015	2016	Amount	%
	(dollars in thousands)			
Income tax expense (benefit)	$ 11,342	$ (109,858)	$ (121,200)	(1,069)%

For the years ended December 31, 2015 and 2016, we recognized tax expense of $11.3 million and a tax benefit of $109.9 million, respectively, in the consolidated statements of operations and comprehensive loss. The income tax benefit for the year ended December 31, 2016 was primarily attributable to a $52.5 million change in the valuation allowance, a federal and state deferred tax benefit of $50.7 million, which includes the identification and recognition of $9.2 million of U.S. federal and state tax credits, and a foreign deferred tax benefit of $10.0 million, partially offset by a provision for federal and state current income taxes of $1.1 million and foreign current tax expense of $2.3 million.

Comparison of the Years Ended December 31, 2014 and 2015

We acquired, and formed, the email marketing segment following the acquisition of Constant Contact on February 9, 2016. All comparisons below for the 2014 and 2015 periods relate to our web presence segment.

Revenue

	Year Ended December 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Revenue	$ 629,845	$ 741,315	$ 111,470	18%

Revenue increased by $111.5 million, or 18%, from $629.8 million for the year ended December 31, 2014 to $741.3 million for the year ended December 31, 2015. Of this increase, $49.4 million is attributable to revenues, including growth and synergies, from the acquisitions of businesses that were not part of our business for all or most of the year ended December 31, 2014. The remaining balance of the increase, or $62.1 million, is attributable primarily to the growth of our business, and to a lesser extent, other factors, including principally the $14.8 million impact of the purchase accounting adjustment for the Directi acquisition.

Our revenues are 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 revenues through domain monetization and marketing development funds. Non-subscription revenues increased from $28.3 million, or 4% of total revenue for the year ended December 31, 2014 to $52.6 million, or 7% of revenue for the year ended December 31, 2015. The increase non-subscription revenues is primarily due to the acquisitions of Directi and BuyDomains.

Cost of Revenue

	Year Ended December 31,					
	2014		2015		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Cost of revenue	$ 381,488	61%	$ 425,035	57%	$ 43,547	11%

Cost of revenue increased by $43.5 million, or 11%, from $381.5 million for the year ended December 31, 2014 to $425.0 million for the year ended December 31, 2015. Of this increase, domain registration costs increased by $32.5 million, partially due to the purchase accounting impact of Directi for the year ended December 31, 2014 and inclusion of domain registration costs related to businesses that we acquired that were not part of our business for most of the year ended December 31, 2014. In addition, support expenses increased by $10.8 million due to acquisitions subsequent to December 31, 2014 and investment in new and existing brands, data center expenses increased by $6.1 million due to acquisitions, subscriber growth and price increases under certain of our data center contracts, depreciation expense increased by $2.0 million, stock-based compensation expense increased by $1.4 million and merchant fees increased by $2.4 million. These increases were partially offset by an $11.7 million decrease in amortization expense.

Our cost of revenue contains a significant portion of non-cash expenses, in particular amortization expense for the intangible assets we have acquired through our acquisitions and the Sponsor Acquisition. The following table sets forth the significant non-cash components of cost of revenue.

	Year Ended December 31,	
	2014	2015
	(in thousands)	
Amortization expense	$ 102,723	$ 91,057
Depreciation expense	29,007	31,170
Stock-based compensation expense	547	1,975

Gross Profit

	Year Ended December 31,				Change	
	2014		2015			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Gross profit	$ 248,357	39%	$ 316,280	43%	$ 67,923	27%

Gross profit increased by $67.9 million, or 27%, from $248.4 million for the year ended December 31, 2014 to $316.3 million for the year ended December 31, 2015. Approximately $56.2 million of the increase was primarily attributable to increases in our subscriber base, including acquired subscribers. Additionally, $11.7 million of the increase was attributable to a net decrease in amortization expense. Our gross profit as a percentage of revenue increased by four percentage points from 39% for the year ended December 31, 2014 to 43% for the year ended December 31, 2015. This increase was primarily attributable to lower amortization of intangible assets, which decreased to 12% of revenue for the year ended December 31, 2015 as compared to 16% for the year ended December 31, 2014.

The following table sets forth gross profit and the significant non-cash components of cost of revenue as a percentage of revenue:

	Year Ended December 31,	
	2014	2015
	(dollars in thousands)	
Revenue	$ 629,845	$ 741,315
Gross profit	248,357	316,280
Gross profit % of revenue	39%	43%
Amortization expense % of revenue	16%	12%
Depreciation expense % of revenue	5%	4%
Stock-based compensation expense % of revenue	*	*

* Less than 1%.

Operating Expense

	Year Ended December 31,				Change	
	2014		2015			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Sales and marketing	$ 146,797	23%	$ 145,419	20%	$ (1,378)	(1)%
Engineering and development	19,549	3%	26,707	4%	7,158	37 %
General and administrative	69,533	11%	90,968	12%	21,435	31 %
Total	$ 235,879	37%	$ 263,094	35%	$ 27,215	12 %

Sales and Marketing. Sales and marketing expense decreased by $1.4 million, or 1%, from $146.8 million for the year ended December 31, 2014 to $145.4 million for the year ended December 31, 2015. The decrease in sales and marketing expense was primarily attributable to lower introductory product marketing spend for certain products, including cloud storage products, as our subscriber base became more familiar with these products.

Engineering and Development. Engineering and development expense increased by $7.2 million, or 37%, from $19.5 million for the year ended December 31, 2014 to $26.7 million for the year ended December 31, 2015. Of this increase, $5.2 million was due to an increase in payroll and benefits to support the growth in our business, $1.1 million was due to an increase in stock-based compensation expense, $1.2 million was due to consulting costs incurred in connection with our restructuring

activities and $0.5 million was due to an increase in depreciation expense, partially offset by a $0.8 million reduction in integration and restructuring costs.

General and Administrative. General and administrative expense increased by $21.4 million, or 31%, from $69.5 million for the year ended December 31, 2014 to $90.9 million for the year ended December 31, 2015. The year-over-year increase consisted of a $3.9 million increase in personnel and facilities related costs to support the growth of our business and a $9.7 million increase in stock-based compensation, of which $5.9 million is related to the grant of a performance-based restricted stock award to our chief executive officer. In addition, the increase in general and administrative expense includes $1.3 million of additional legal advisory expense, a $5.5 million increase in transaction expenses primarily due to the acquisition of Constant Contact, $0.7 million of follow-on offering expenses incurred on behalf of the selling stockholders during the March 2015 follow-on offering and a $0.3 million increase in depreciation expense.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Other expense, net	$ (57,083)	$ (52,974)	$ 4,109	7%

Other expense, net decreased by $4.1 million, or 7%, from $57.1 million for the year ended December 31, 2014 to $53.0 million for the year ended December 31, 2015. This decrease is primarily due to a $5.4 million gain as a result of the redemption of our equity interest in World Wide Web Hosting and a $0.1 million decrease in interest expense related to capital lease obligations. The decrease was partially offset by a $0.5 million increase in interest expense related to amounts drawn down on our revolving credit facility during the year ended December 31, 2015 as compared with the year ended December 31, 2014 and $1.1 million of accretion of present value for the deferred consideration related to the Webzai, BuyDomains and Ace acquisitions.

Income Tax Expense (Benefit)

	Year Ended December 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Income tax expense	$ 6,186	$ 11,342	$ 5,156	83%

Income tax expense increased by $5.2 million, or 83%, from $6.2 million for the year ended December 31, 2014 to $11.3 million for the year ended December 31, 2015. The increase consisted of a net increase in our deferred tax expense of $3.5 million and a net increase in our current federal, state and foreign income tax expense of $1.7 million. The net increase in our deferred tax expense from December 31, 2014 to December 31, 2015 was primarily attributable to a $9.9 million increase in federal, state and foreign deferred tax expense, partially offset by a $6.4 million decrease in provisions for the valuation allowance. In the year ended December 31, 2015, we had nondeductible expenses primarily related to stock-based compensation, transaction costs, other foreign permanent differences and a nontaxable gain on the redemption of our equity interest in World Wide Web Hosting.

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. Historically, we have used debt primarily to finance our acquisition related activities. During 2014 and 2015, we used borrowings under our revolving credit facility to help meet our funding requirements for our acquisitions and minority investments. During 2016, we used borrowings under the revolving credit facility for temporary working capital needs, including deferred acquisition related payments, and repaid the borrowings by the end of the year. In 2017, we may use the revolving credit facility for similar working capital needs.

Term Loan

In November 2013, we entered into a first lien term loan facility of $1,050.0 million, which matures on November 9, 2019. On February 9, 2016, in connection with our acquisition of Constant Contact, we entered into a $735.0 million incremental first lien term loan facility and a new $165.0 million revolving credit facility, and our wholly owned subsidiary EIG Investors issued $350.0 million aggregate principal amount of 10.875% senior notes due 2024. We refer to the incremental first lien term loan facility and new revolving credit facility, together with our previously existing first lien term loan facility, as the "Senior Credit Facilities" and to the 10.875% senior notes due 2024 as the "Notes".

As a result of the "most-favored nation" pricing provision in our credit agreement, the interest rate on our November 2013 first lien term loan facility increased to LIBOR plus 5.48% per annum on February 28, 2016, subject to a LIBOR floor of 1.0% per annum. In addition, we are obligated to use commercially reasonable efforts to make voluntary prepayments on the November 2013 first lien term loan facility to effectively double the amount of each scheduled amortization payment under that facility (which is 0.25% per quarter of the principal outstanding as of November 25, 2013).

The incremental first lien term loan facility will mature on February 9, 2023, and bears interest at a rate of LIBOR plus 5.0% per annum, subject to a LIBOR floor of 1.0% per annum, and has scheduled amortization of 0.50% per quarter.

Revolving Credit Facility

Loans under the $165.0 million revolving credit facility bear interest at a rate of LIBOR plus 4.0% per annum (subject to a leverage-based step-down), without a LIBOR floor. This revolving credit facility has a "springing" maturity date of August 10, 2019 unless the November 2013 first lien term loan facility has been repaid in full or otherwise extended to at least 91 days after the maturity of the revolving credit facility.

Loans under the Senior Credit Facilities are also subject to a base rate option, with interest rate spreads of 1.0% per annum less than those applicable to LIBOR-based loans.

The Senior Credit Facilities have been fully and unconditionally guaranteed, and secured, by us and certain of our subsidiaries (including Constant Contact and its subsidiaries).

10.875% Senior Notes due 2024

The Notes will mature in February 2024, were issued at a price of 98.065% of par and will bear interest at the rate of 10.875% per annum. The Notes have been fully and unconditionally guaranteed, on a senior unsecured basis, by us and our subsidiaries that guarantee the Senior Credit Facilities (including Constant Contact and its subsidiaries).

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

As of December 31, 2016, we had cash and cash equivalents totaling $53.6 million and negative working capital of $362.7 million, which included the $21.0 million current portion of the first lien term loan facility and $14.7 million current portion of the incremental first lien term loan facility. There was no balance outstanding on our revolving credit facility as of December 31, 2016. In addition, we had approximately $1,994.6 million of long term indebtedness, gross of deferred financing costs, outstanding under our first lien term loan facility, incremental first lien term loan facility and the Notes. We also had $444.4 million of short-term and long-term deferred revenue, which is not expected to be payable in cash.

Debt Covenants

Senior Credit Facilities

The Senior Credit Facilities require that we comply with a financial covenant to maintain a maximum ratio of consolidated senior secured indebtedness to Bank Adjusted EBITDA (as defined below).

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, 2016.

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.

Notes

The indenture with respect to the 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 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.

Net Leverage Ratio

The Senior Credit Facilities require that we comply with a financial covenant to maintain a maximum ratio of consolidated net senior secured 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 may not exceed 6.50 to 1.00 through December 31, 2016, 6.25 to 1.00 from March 31, 2017 through December 31, 2017, and 6.00 to 1.00 from March 31, 2018 and thereafter. As of December 31, 2016, we were in compliance with this covenant.

Our credit agreement defines the net consolidated senior secured indebtedness as of any date of determination as the aggregate amount of indebtedness of us and our restricted subsidiaries, determined on a consolidated basis in accordance with GAAP, including indebtedness for borrowed money, unreimbursed obligations under letters of credit, obligations with respect to capital lease 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.

Our credit agreement defines Bank Adjusted EBITDA as net income (loss) adjusted to exclude interest expense, income tax expense (benefit), depreciation and amortization. Bank Adjusted EBITDA also adjusts net income (loss) by excluding certain noncash 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) for pro forma adjusted EBITDA on a twelve-month lookback period for acquisitions made in any given quarter.

We use Bank Adjusted EBITDA to monitor our 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, 2016, our net leverage ratio on a TTM basis was 4.56 to 1.00 and was calculated as follows:

	For the three months ended,				
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	TTM
	(in thousands except ratios)				
Net income (loss)	$ 14,081	$ (33,430)	$ (29,798)	$ (32,082)	$ (81,229)
Interest expense	30,371	40,994	41,208	40,315	$ 152,888
Income tax expense (benefit)	(99,902)	(13,931)	(7,387)	11,362	$ (109,858)
Depreciation	13,172	16,760	17,010	13,418	$ 60,360
Amortization of other intangible assets	29,874	37,823	37,982	37,883	$ 143,562
Stock-based compensation	18,388	15,024	14,806	10,049	$ 58,267
Integration and restructuring costs (1)	15,037	9,627	7,652	(1,750)	$ 30,566
Transaction expenses and charges	31,120	978	159	27	$ 32,284
(Gain) loss of unconsolidated entities	(10,727)	341	5,018	4,803	$ (565)
Impairment of long-lived assets	1,437	6,847	—	754	$ 9,039
(Gain) loss on assets, not ordinary course	—	—	56	(85)	$ (29)
Legal advisory expenses	1,540	1,458	985	1,062	$ 5,045
Billed revenue to GAAP revenue adjustment	42,573	12,317	3,724	(4,451)	$ 54,163
Domain registration cost cash to GAAP adjustment	(3,745)	441	69	(1,005)	$ (4,240)
Currency translation	156	206	209	243	$ 813
Adjustment for acquisitions on a pro forma basis (2)	12,902	(162)	(42)	—	$ 12,698
Bank Adjusted EBITDA	$ 96,277	$ 95,293	$ 91,651	$ 80,543	$ 363,764
Current portion of notes payable					$ 35,700
Current portion of capital lease obligations					6,690
Notes payable - long term					1,951,280
Capital lease obligations - long term					512
Original issue discounts and deferred financing costs					69,195
Less:					
Unsecured notes					(350,000)
Cash					(53,596)
Certain permitted restricted cash					(429)
Net senior secured indebtedness					$ 1,659,352
Net leverage ratio					4.56
Maximum net leverage ratio					6.50

(1) Integration and restructuring costs incurred for the three months ended December 31, 2016 include the reversal of $2.4 million of integration costs incurred related to the Ecommerce integration due to a revised plan that will reduce the expected savings from this integration.

(2) Consists of pro forma adjusted EBITDA for acquired entities on a TTM basis, as adjusted for projected cost savings arising from decisions undertaken by us on or before the acquisition date of the relevant acquisition. This adjustment is revised each fiscal quarter for new acquisitions.

Cash and Cash Equivalents

As of December 31, 2016, 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 $20.6 million from $33.0 million at December 31, 2015 to

$53.6 million at December 31, 2016. Of the $53.6 million cash and cash equivalents we had at December 31, 2016, $14.1 million was held in foreign countries, and due to tax and accounting reasons, we do not plan to repatriate this cash in the near future. We used cash on hand at December 31, 2015, cash flows from operations and proceeds from our incremental first lien term loan facility and Notes to fund our acquisition and minority investment activity described under financing and investing activities below. Our future capital requirements will depend on many factors including, but not limited to our growth rate, expansion of sales and marketing activities, the introduction of new and enhanced products and services, market acceptance of our solutions, 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 capital lease obligations, depreciation, amortization and cash flows from operating activities, investing activities and financing activities for the stated periods:

	Years ended December 31,		
	2014	2015	2016
		(in thousands)	
Purchases of property and equipment	$ (23,904)	$ (31,243)	$ (37,259)
Principal payments on capital lease obligations	(3,608)	(4,822)	(5,892)
Depreciation	30,956	34,010	60,360
Amortization	102,989	92,403	155,222
Cash flows provided by operating activities	142,893	177,228	154,961
Cash flows used in investing activities	(151,315)	(133,801)	(932,401)
Cash flows provided by (used in) financing activities	(25,936)	(41,632)	796,396

Capital Expenditures

Our capital expenditures on the purchase of property and equipment for the years ended December 31, 2015 and 2016 were $31.2 million and $37.3 million, respectively. The higher property and equipment expenditures in the year ended December 31, 2016 consisted primarily of an investment in data center and customer infrastructure. In addition, our capital expenditures during the years ended December 31, 2015 and 2016 included $4.8 million and $5.9 million, respectively, of principal payments under capital leases for software. The remaining balance payable on the capital leases is $7.2 million as of December 31, 2016. We expect our capital expenditures to increase over the next twelve months as we enhance our disaster recovery capabilities.

Depreciation

Our depreciation expense for the years ended December 31, 2015 and 2016 increased from $34.0 million to $60.4 million, respectively. This increase was primarily due to expansion in our business by on-boarding acquisitions, principally Constant Contact, as well as investments in data center infrastructure and leasehold improvements. The leasehold improvements were associated with operating leases as we expanded and revamped our presence in Massachusetts.

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, increased by $62.8 million from $92.4 million for the year ended December 31, 2015 to $155.2 million for the year ended December 31, 2016. Of this increase in amortization expense, $67.8 million of amortization expense related to intangible assets of businesses that have been acquired since December 31, 2015, principally Constant Contact, partially offset by $12.2 million of lower amortization expense related primarily to acquisitions that occurred prior to December 31, 2015. In addition, $1.4 million of the increase is attributable to higher amortization expense of net present value of deferred consideration as a result of our Ace acquisition in September 2015, $6.0 million is attributable to increased deferred financing costs and $3.0 million is attributable to amortization of original issue discounts related to our incremental first lien term loan facility and Notes.

Operating Activities

Cash provided by operating activities consists primarily of net loss adjusted for certain non-cash items including depreciation, amortization, stock-based compensation expense 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. As we add subscribers and sell additional products and services, our deferred revenue balance increases. Our operating cash flows are net of transaction expenses and charges.

Net cash provided by operating activities was $155.0 million for the year ended December 31, 2016 compared with $177.2 million for the year ended December 31, 2015. Net cash provided by operating activities for the year ended December 31, 2016 consisted of net loss of $81.2 million, offset by non-cash charges of $168.9 million and a net change of $67.3 million in our operating assets and liabilities. The net change in our operating assets and liabilities included an increase in deferred revenue of $54.4 million, which was $20.1 million more than in the same period in 2015. The decrease in net cash provided by operating activities was the result of increased transaction and restructuring charges of $47.5 million, primarily related to the acquisition of Constant Contact, and increased cash paid for interest expense of $61.7 million, primarily related to increased debt incurred to acquire Constant Contact. These decreases in cash provided by operations were partially offset by increased cash flow from the operations of Constant Contact.

Net cash provided by operating activities was $177.2 million for the year ended December 31, 2015 compared with $142.9 million for the year ended December 31, 2014. Net cash provided by operating activities for the year ended December 31, 2015 consisted of net loss of $25.8 million, offset by non-cash charges of $173.7 million and a net change of $29.3 million in our operating assets and liabilities. The net change in our operating assets and liabilities included an increase in deferred revenue of $34.2 million, which was $33.5 million less than in the same period in 2014 and also included an increase in prepaid domain name registry fees of $8.1 million.

Net cash provided by operating activities was $142.9 million for the year ended December 31, 2014 which consisted of a net loss of $50.9 million, offset by non-cash charges of $153.9 million, a cash dividend of $0.2 million from a minority investment and a net change of $39.7 million in our operating assets and liabilities. The net change in our operating assets and liabilities included an increase in deferred revenue of $67.7 million, and an increase in prepaid domain name registry fees of $30.5. In addition, during the year ended December 31, 2014, we reduced our interest payments by $43.4 million.

Investing Activities

Cash flows used in investing activities consist primarily of purchase of property and equipment, acquisition consideration payments, and changes in restricted cash balances.

During the year ended December 31, 2016, we used $889.6 million of cash, net of cash acquired, for the purchase consideration for our acquisitions of Constant Contact and AppMachine. We also used $36.6 million of cash to purchase property and equipment, net of proceeds from disposals of $0.7 million, and a net deposit of $0.6 million of restricted cash with a payment processor. In addition, we paid $0.6 million for a convertible promissory note from a business that provides web and mobile management solutions, with the potential for subsequent purchases of up to $0.4 million of additional convertible notes, and $5.0 million for a minority interest investment in Fortifico Limited, a company providing a billing, customer support and CRM solution to small and mid-sized businesses.

During the year ended December 31, 2015, we used $97.8 million of cash, net of cash acquired, for the purchase consideration for our Verio, World Wide Web Hosting, Ace and Ecommerce acquisitions. In addition, we used $8.5 million to make an additional investment in our joint venture with WZ UK Ltd. We also used $31.1 million of cash to purchase property and equipment, net of proceeds from disposals of $0.1 million, and purchased intangible assets of $0.1 million. These were partially offset by a net return of $0.1 million of restricted cash held by a payment processor and $0.2 million of proceeds from sale of assets. In addition, during the year ended December 31, 2015 we received a $3.5 million repayment on a note receivable related to our equity ownership in World Wide Web Hosting.

During the year ended December 31, 2014, we used $93.7 million in cash, net of cash acquired, for the purchase consideration for our acquisitions of the web presence business of Directi, Webzai, the assets of BuyDomains, the assets of Arvixe, LLC and our purchase of a domain name business. In addition, we used $15.0 million to acquire a minority interest in Automattic, Inc., $15.2 million to acquire a 40% minority interest in AppMachine, and $3.9 million to invest in a joint venture with WZ UK Ltd. and acquire a 49% interest in that company. We also used $23.9 million of cash to purchase property and equipment and $0.2 million to purchase certain intangible assets and received proceeds from disposals of $0.2 million. These were partially offset by a net return of $0.4 million of restricted cash held by a payment processor.

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, 2016, cash flows provided by financing activities was $796.4 million. We received $1.1 billion from the issuance of the incremental first lien term loan and Notes to finance the acquisition of Constant Contact. We also received $2.6 million of proceeds from the exercise of stock options, and $2.8 million as a capital investment from a joint venture minority partner. We made repayments on our revolving credit facility throughout the year, including $66.0 million that was re-financed as part of the debt we incurred to acquire Constant Contact. We also made $55.2 million in principal payments on our term loan facility, including $37.4 million of voluntary repayments. In addition, we paid $52.6 million in financing costs related to the Constant Contact financing and $51.0 million of deferred consideration payments, the largest component of which was $31.4 million related to our 2015 Ace acquisition.

During the year ended December 31, 2015, cash flows used in financing activities was $41.6 million, which included a payment of $30.5 million to increase our investment in JDI Backup Ltd. from 67% to 100%. During the year ended December 31, 2015, we borrowed an aggregate of $147.0 million against our revolving credit facility and repaid an aggregate of $130.0 million, with these net borrowings used to fund short-term working capital needs and acquisition related payments.

During the year ended December 31, 2014, cash flows used in financing activities was $25.9 million, which includes $98.3 million of deferred consideration paid during the period, the majority of which was for our Directi, HostGator and domain name business acquisitions. We received gross proceeds from our follow-on offering of $43.5 million less capitalized issuance costs of $2.2 million. During the year ended December 31, 2014, we borrowed in aggregate $150.0 million against our revolving credit facility and repaid in aggregate $100.0 million of the amount borrowed. These net borrowings were used for both short-term working capital needs and to fund acquisition related payments.

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 capital lease 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 capital lease obligations). The following table reflects the reconciliation of cash flow from operations to free cash flow (all data in thousands):

	For the year ended December 31,		
	2014	2015	2016
Cash flow from operations	$ 142,893	$ 177,228	$ 154,961
Less:			
Capital expenditures and capital lease obligations	(27,512)	(36,065)	(43,151)
Free cash flow	$ 115,381	$ 141,163	$ 111,810

Free cash flow declined from $141.2 million for the year ended December 31, 2015 to $111.8 million for the year ended December 31, 2016, a decrease of $29.4 million. This decrease is primarily related to transaction and restructuring related payments of $47.5 million primarily incurred in connection with the acquisition of Constant Contact, and increased interest payments of $61.7 million due to the additional debt we incurred to acquire Constant Contact.

Net Operating Loss (NOL) Carry-Forwards

As of December 31, 2016, we had NOL carry-forwards available to offset future U.S. federal taxable income of approximately $142.7 million and future state taxable income of approximately $125.6 million. These NOL carry-forwards expire on various dates through 2036. As of December 31, 2016, we had NOL carry-forwards in foreign jurisdictions available to offset future foreign taxable income by approximately $96.8 million. We have loss carry-forwards that begin to expire in 2021 in India totaling $2.5 million and in China totaling $0.3 million. We have loss carry-forwards that begin to expire in 2020 in the Netherlands totaling $10.7 million. We also have loss carry-forwards in the United Kingdom, Israel and Singapore of $81.1 million, $1.9 million, and $0.3 million, respectively, which have 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, we were subject to Section 382 annual limitations of $77.1 million against the balance of NOL carry-forwards generated prior to the change in control in 2011. Through December 31, 2013, we accumulated the unused amount of Section 382 limitations in excess of the amount of NOL carry-forwards that were originally subject to limitation. Therefore, these unused NOL carry-forwards are available for future use to offset taxable income. We have completed an analysis of changes in its ownership from 2011, through our IPO, to December 31, 2013. We concluded that there was not a Section 382 ownership change during this period and therefore any NOLs generated through December 31, 2013, are not subject to any new Section 382 annual limitations on NOL carry-forwards. On November 20, 2014, we completed a follow-on offering of 13,000,000 shares of common stock. The underwriters also exercised their overallotment option to purchase an additional 1,950,000 shares of common stock from the selling stockholders. We performed an analysis of the impact of this offering and determined that no Section 382 change in ownership had occurred.

On March 11, 2015, we closed a follow-on offering of our common stock, in which selling stockholders sold 12,000,000 shares of common stock at a public offering price of $19.00 per share. The underwriter also exercised its overallotment option to purchase an additional 1,800,000 shares of common stock from the selling stockholders. We completed an analysis of its ownership changes in the first half of 2016, which resulted in no ownership change for tax purposes within the meaning of the Internal Revenue Code Section 382(g).

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, 2015 and 2016 was $365.6 million and $444.4 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 2016 included a quarterly principal repayment against our first lien term loan facility of $5.3 million per quarter and quarterly principal repayment against our incremental term loan facility of $3.7 million per quarter, interest payments on our term loan facilities, which are typically three-month LIBOR loans, and interest payments on our 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, 2016:

	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	$ 2,056,175	$ 35,700	$ 994,275	$ 29,400	$ 996,800
Interest payments on term loan facilities and notes(1)	702,392	145,795	276,080	156,939	123,578
Capital lease obligations	7,470	6,895	575	—	—
Operating lease obligations	114,855	20,058	35,824	31,194	27,779
Deferred consideration(2)	12,717	5,273	7,444	—	—
Non-controlling interest (3)	25,000	25,000	—	—	—
Purchase commitments	48,164	31,805	14,182	2,177	—
Total	$ 2,966,773	$ 270,526	$ 1,328,380	$ 219,710	$ 1,148,157

(1) Term loan facility interest rate is based on adjusted LIBOR plus 400 basis points for the first lien term loan facility, subject to a LIBOR floor of 1.00%. As of December 31, 2016, the interest rates on our first lien term loan facility, our incremental

lien term loan facility, and our notes facility were 6.48%, 6.00%, and 10.88%, respectively. Our first lien term loan facility, our incremental lien term loan facility and our Notes mature on November 9, 2019, February 9, 2023, and February 1, 2024, respectively. Our revolving credit facility, which has no balance outstanding as of December 31, 2016, generally has a maturity date of August 10, 2019.

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

(3) We currently have a controlling interest in WZ UK of 86.4%, and are obligated, subject to the terms of our agreement with the WZ UK minority shareholders, to acquire the remaining equity interest of 13.6% for $25.0 million beginning in July 2017. Refer to *Note 13: Redeemable Non-Controlling Interest*, for further details.

Recently Issued Accounting Pronouncements - Recently Adopted

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*, or ASU 2015-17. This new guidance requires that deferred tax liabilities and assets be classified as noncurrent in the balance sheet, in order to simplify the presentation of deferred income taxes. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016. We adopted ASU 2015-17 as of the fourth quarter in 2015, on a prospective basis, and it did not have a material impact on our consolidated financial statements.

We adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* beginning on January 1, 2016, and retrospectively for all periods presented. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The unamortized value of deferred financing costs associated with our revolving credit facility were not affected by the ASU and continue to be presented as an asset on our consolidated balance sheets.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the consolidated statements of cash flows. This amendment is effective for annual periods beginning after December 15, 2016, and early adoption is permitted.

We elected to early adopt the new guidance in the fourth quarter of fiscal year 2016, which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The impact of the early adoption resulted in the following:

- Due to our net shortfall position upon the time of adoption, the new standard resulted in additional tax expense in our provision for income taxes rather than paid-in capital of $0.9 million for the year ended December 31, 2016. Our beginning retained earnings was not impacted by the early adoption as we had a full valuation allowance against the U.S. deferred tax assets as of December 31, 2015.

- As a result of prior guidance that required excess tax benefits to reduce taxes payable prior to recognition as an increase in paid in capital, we had not recognized certain deferred tax assets (loss carryforwards) that could be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting. As of January 1, 2016, we had generated federal and state net operating loss carryforwards due to excess tax benefits of $1.5 million and $0.7 million, respectively.

- We elected to eliminate the forfeiture rate and adopted the new policy to account for forfeitures in the period that they are incurred, and applied this policy on a modified retrospective basis. The impact of eliminating the forfeiture rate increased the stock compensation recorded in 2016 by $0.9 million, which included an immaterial prior period adjustment that we recorded through the consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

Recently Issued Accounting Pronouncements - Recently Issued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) , or ASU 2014-09, 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 and ASU 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing, which

further elaborate on the original ASU No. 2014-09. The core principle of these updates is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgments and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In July 2015, the FASB approved a one-year deferral of the effective date to January 1, 2018, with early adoption to be permitted as of the original effective date of January 1, 2017. Once this standard becomes effective, companies may use either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We have performed an initial assessment of ASU 2014-09, and expect that this new guidance will impact the timing of when certain sales incentive payments, primarily to external parties, are charged to expense as these costs must be deferred over the life the related customer contract. We also expect that a considerable portion of our revenue recognition will not be materially impacted by this new guidance. We are currently calculating the impact of all expected changes from this guidance, and expect to have these calculations complete during the second half of fiscal 2017. After completing these calculations, we will then determine the transition method to be applied upon adoption.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a 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. We are currently evaluating the impact of our pending adoption of the new standard on our consolidated financial statements, but we expect that that this will result in increased assets and liabilities.

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, *Investments—Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting*. This new guidance removes the requirement for retroactive adjustment when an increase or decrease in the level of ownership qualifies an investment for the equity method. This amendment is effective for fiscal years beginning after December 15, 2016. We do not expect a material impact on our financial position or results of operations from adoption of this standard.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This new standard clarifies certain statement of cash flow presentation issues. This amendment is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We are currently evaluating the impact of its pending adoption of the new standard on our consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*. This new standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This amendment is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. We do not believe the adoption of this ASU will have a material impact on our consolidated Financial Statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-16, *Statement of Cash Flows: Restricted Cash*. This new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. This amendment is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We do not believe the adoption of this ASU will have a material impact on our consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*. This new standard eliminates Step 2, and instead an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis.

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 US 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 $53.6 million at December 31, 2016, 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, 2016, we had approximately $985.9 million of indebtedness outstanding under our first lien term loan facility, $720.3 million outstanding under our incremental first lien term loan, $350.0 million outstanding under the Notes and $0.0 million outstanding under a revolving credit facility of $165.0 million.

The first lien term loan facility bears interest at a rate per annum equal to an applicable credit spread plus, at our option, (a) adjusted LIBOR or (b) an alternate base rate determined by reference to the greater of (i) the prime rate, (ii) the federal funds effective rate plus 0.50% and (iii) one-month adjusted LIBOR plus 1.00%. The term loan is subject to a floor of 1.00% per annum with an applicable credit spread for interest based on adjusted LIBOR of 4.00%. As a result of the “most-favored nation” pricing provision in our existing credit agreement, the interest rate on our existing first lien term loan facility increased to LIBOR plus 5.48% per annum on February 28, 2016, subject to a LIBOR floor of 1.0% per annum.

The incremental first lien term loan facility bears interest at a rate of LIBOR plus 5.0% per annum, subject to a LIBOR floor of 1.0% per annum, and has scheduled amortization of 0.50% per quarter.

Loans under the new $165.0 million revolving credit facility will bear interest at a rate of LIBOR plus 4.0% per annum (subject to a leverage-based step-down), without a LIBOR floor.

Loans under the first lien term loan facility and incremental first lien term loan facility and revolving credit facility are also subject to a base rate option, with interest rate spreads of 1.0% per annum less than those applicable to LIBOR-based loans.

We are also required to pay a commitment fee of 0.50% per annum to the lenders based on the average daily unused amount of the revolving commitments.

Based on our aggregate indebtedness outstanding under our first lien term loan facility and incremental first lien term loan facility of $1,706.2 million as of December 31, 2016, a 100 basis point increase in the adjusted LIBOR rate above the LIBOR floor would result in a $17.2 million increase in our aggregate interest payments over a 12-month period, and a 100 basis point decrease at the current LIBOR rate would not result in a decrease in our interest payments.

We entered into a three-year interest rate cap on December 9, 2015 as part of our risk management strategy. This interest rate cap limits our exposure to interest rate increases on $500.0 million of our first lien term loan. If the LIBOR interest rates for this loan increase more than 100 basis points above the rates at December 31, 2016, our interest rate cap would begin to protect us on interest charges for $500.0 million of outstanding debt.

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

	Page
Report of Independent Registered Public Accounting Firm	79
Consolidated Balance Sheets	80
Consolidated Statements of Operations and Comprehensive Loss	81
Consolidated Statements of Changes in Stockholders' Equity	82
Consolidated Statements of Cash Flows	83
Notes to Consolidated Financial Statements	85

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Endurance International Group Holdings, Inc. as of December 31, 2015 and 2016 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Endurance International Group Holdings, Inc. as of December 31, 2015 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company has elected to change its method to present deferred debt issuance costs as a direct reduction from the carrying amount of that debt liability on its consolidated balance sheet as of December 31, 2015 and 2016 in accordance with Accounting Standards Updates ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Endurance International Group Holdings, Inc.'s internal control over financial reporting as of December 31, 2016, 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 24, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Boston, Massachusetts

February 24, 2017

Endurance International Group Holdings, Inc.
Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	December 31, 2015	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 33,030	$ 53,596
Restricted cash	1,048	3,302
Accounts receivable	12,040	13,088
Prepaid domain name registry fees	55,793	55,444
Prepaid expenses and other current assets	15,675	28,678
Total current assets	117,586	154,108
Property and equipment—net	75,762	95,272
Goodwill	1,207,255	1,859,909
Other intangible assets—net	359,786	612,057
Deferred financing costs	—	4,932
Investments	27,905	15,857
Prepaid domain name registry fees, net of current portion	9,884	10,429
Other assets	4,322	3,710
Total assets	$ 1,802,500	$ 2,756,274
Liabilities, redeemable non-controlling interest and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,280	$ 16,074
Accrued expenses	45,779	67,722
Accrued interest	5,090	27,246
Deferred revenue	285,945	355,190
Current portion of notes payable	77,500	35,700
Current portion of capital lease obligations	5,866	6,690
Deferred consideration—short term	51,488	5,273
Other current liabilities	3,973	2,890
Total current liabilities	487,921	516,785
Long-term deferred revenue	79,682	89,200
Notes payable—long term, net of original issue discounts of $0 and $25,853, and deferred financing costs of $990 and $43,342, respectively	1,014,885	1,951,280
Capital lease obligations—long term	7,215	512
Deferred tax liability—long term	28,786	39,943
Deferred consideration—long term	813	7,444
Other liabilities	3,524	8,974
Total liabilities	1,622,826	2,614,138
Redeemable non-controlling interest	—	17,753
Commitments and contingencies (Note 16)		
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; 132,024,558 and 134,793,857 shares issued at December 31, 2015 and December 31, 2016, respectively; 131,938,485 and 134,793,857 outstanding at December 31, 2015 and December 31, 2016, respectively	14	14
Additional paid-in capital	848,740	868,228
Accumulated other comprehensive loss	(1,718)	(3,666)
Accumulated deficit	(667,362)	(740,193)
Total stockholders' equity	179,674	124,383
Total liabilities, redeemable non-controlling interest and stockholders' equity	$ 1,802,500	$ 2,756,274

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016
Revenue	$ 629,845	$ 741,315	$ 1,111,142
Cost of revenue	381,488	425,035	583,991
Gross profit	248,357	316,280	527,151
Operating expense:			
Sales and marketing	146,797	145,419	303,511
Engineering and development	19,549	26,707	87,601
General and administrative	64,746	81,386	143,095
Transaction costs	4,787	9,582	32,284
Total operating expense	235,879	263,094	566,491
Income (loss) from operations	12,478	53,186	(39,340)
Other income (expense):			
Other income, net	—	5,440	1,862
Interest income	331	414	576
Interest expense	(57,414)	(58,828)	(152,888)
Total other expense—net	(57,083)	(52,974)	(150,450)
Income (loss) before income taxes and equity earnings of unconsolidated entities	(44,605)	212	(189,790)
Income tax expense (benefit)	6,186	11,342	(109,858)
Loss before equity earnings of unconsolidated entities	(50,791)	(11,130)	(79,932)
Equity loss of unconsolidated entities, net of tax	61	14,640	1,297
Net loss	$ (50,852)	$ (25,770)	$ (81,229)
Net loss attributable to non-controlling interest	(8,017)	—	(15,167)
Excess accretion of non-controlling interest	—	—	6,769
Total net loss attributable to non-controlling interest	(8,017)	—	(8,398)
Net loss attributable to Endurance International Group Holdings, Inc.	$ (42,835)	$ (25,770)	$ (72,831)
Comprehensive loss:			
Foreign currency translation adjustments	(462)	(1,281)	(597)
Unrealized gain (loss) on cash flow hedge, net of taxes of $0, $46, and ($792) for the years ended December 31, 2014, 2015 and 2016	—	80	(1,351)
Total comprehensive loss	$ (43,297)	$ (26,971)	$ (74,779)
Net loss per share attributable to Endurance International Group Holdings, Inc.—basic and diluted	$ (0.34)	$ (0.20)	$ (0.55)
Weighted-average number of common shares used in computing net loss per share attributable to Endurance International Group Holdings, Inc.—basic and diluted	127,512,346	131,340,557	133,415,732

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 Loss	Accumulated Deficit	Total Stockholders' Equity
	Number	Amount				
Balance—December 31, 2013	124,766,544	$ 13	$ 754,061	$ (55)	$ (598,757)	$ 155,262
Vesting of restricted shares	866,820	1	(1)	—	—	—
Exercise of stock options	11,390	—	137	—	—	137
Shares issued in connection with acquisitions	2,269,579	—	27,235	—	—	27,235
Shares issued in follow-on offering, net of issuance costs of $2,405,176	3,000,000	—	41,095	—	—	41,095
Non-controlling interest accretion	—	—	(13,962)	—	—	(13,962)
Other comprehensive loss	—	—	—	(462)	—	(462)
Net loss attributable to non-controlling interest	—	—	(8,017)	—	—	(8,017)
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(42,835)	(42,835)
Stock-based compensation	—	—	16,043	—	—	16,043
Balance—December 31, 2014	130,914,333	14	816,591	(517)	(641,592)	174,496
Vesting of restricted shares	838,809	—	—	—	—	—
Exercise of stock options	185,343	—	2,224	—	—	2,224
Other comprehensive loss	—	—	—	(1,201)	—	(1,201)
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(25,770)	(25,770)
Stock-based compensation	—	—	29,925	—	—	29,925
Balance—December 31, 2015	131,938,485	14	848,740	(1,718)	(667,362)	179,674
Vesting of restricted shares	2,458,886	—	—	—	—	—
Exercise of stock options	396,486	—	2,564	—	—	2,564
Other comprehensive loss	—	—	—	(1,948)	—	(1,948)
Non-controlling interest accretion	—	—	(30,844)	—	—	(30,844)
Stock awards issued in connection with acquisition of Constant Contact	—	—	5,395	—	—	5,395
Net loss attributable to non-controlling interest	—	—	(15,167)	—	—	(15,167)
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(72,831)	(72,831)
Stock-based compensation	—	—	57,540	—	—	57,540
Balance—December 31, 2016	134,793,857	$ 14	$ 868,228	$ (3,666)	$ (740,193)	$ 124,383

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016
Cash flows from operating activities:			
Net loss	$ (50,852)	$ (25,770)	$ (81,229)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation of property and equipment	30,956	34,010	60,360
Amortization of other intangible assets from acquisitions	102,723	91,057	143,562
Amortization of deferred financing costs	83	82	6,073
Amortization of net present value of deferred consideration	183	1,264	2,617
Amortization of original issuance discount	—	—	2,970
Impairment of long lived assets	—	—	9,039
Stock-based compensation	16,043	29,925	58,267
Deferred tax expense (benefit)	3,640	7,120	(113,242)
Gain on sale of assets	(168)	(155)	(243)
Gain from unconsolidated entities	—	(5,440)	(1,862)
Loss of unconsolidated entities	61	14,640	1,297
Dividend from minority interest	167	—	100
(Gain) loss from change in deferred consideration	384	1,174	(20)
Changes in operating assets and liabilities:			
Accounts receivable	(691)	(1,659)	(1,620)
Prepaid expenses and other current assets	(25,675)	(13,187)	(4,932)
Accounts payable and accrued expenses	(1,615)	9,926	19,458
Deferred revenue	67,654	34,241	54,366
Net cash provided by operating activities	142,893	177,228	154,961
Cash flows from investing activities:			
Businesses acquired in purchase transaction, net of cash acquired	(93,698)	(97,795)	(889,634)
Purchases of property and equipment	(23,904)	(31,243)	(37,259)
Cash paid for minority investment	(34,140)	(8,475)	(5,600)
Proceeds from sale of assets	194	284	676
Proceeds from note receivable	—	3,454	—
Purchases of intangible assets	(200)	(76)	(27)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	433	50	(557)
Net cash used in investing activities	(151,315)	(133,801)	(932,401)

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

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016
Cash flows from financing activities:			
Proceeds from issuance of term loan	—	—	1,056,178
Repayment of term loan	(10,500)	(10,500)	(55,200)
Proceeds from borrowing of revolver	150,000	147,000	54,500
Repayment of revolver	(100,000)	(130,000)	(121,500)
Payment of financing costs	(53)	—	(52,561)
Payment of deferred consideration	(98,318)	(14,991)	(51,044)
Payment of redeemable non-controlling interest liability	(4,190)	(30,543)	(33,425)
Principal payments on capital lease obligations	(3,608)	(4,822)	(5,892)
Proceeds from exercise of stock options	137	2,224	2,564
Capital investment from minority interest partner	—	—	2,776
Proceeds from issuance of common stock	43,500	—	—
Issuance costs of common stock	(2,904)	—	—
Net cash provided by (used in) financing activities	(25,936)	(41,632)	796,396
Net effect of exchange rate on cash and cash equivalents	(78)	(1,144)	1,610
Net increase (decrease) in cash and cash equivalents	(34,436)	651	20,566
Cash and cash equivalents:			
Beginning of period	66,815	32,379	33,030
End of period	$ 32,379	$ 33,030	$ 53,596
Supplemental cash flow information:			
Interest paid	$ 57,418	$ 57,338	$ 119,063
Income taxes paid	$ 2,615	$ 4,510	$ 4,278
Supplemental disclosure of non-cash financing activities:			
Shares or awards issued in connection with acquisitions	$ 27,235	$ —	$ 5,395
Assets acquired under capital lease	$ 11,704	$ 9,795	$ —

See accompanying 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 company, EIG Investors Corp. ("EIG Investors"), its primary operating subsidiary company, The Endurance International Group, Inc. ("EIG"), and other subsidiary companies 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 by investment funds and entities affiliated with Warburg Pincus and Goldman, Sachs & Co. on December 22, 2011 of a controlling interest in EIG Investors, EIG and EIG's subsidiary companies. 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.

Common Stock Offerings

On November 26, 2014, the Company closed a follow-on offering of its common stock, in which the Company sold 3,000,000 shares of its common stock at a public offering price of $14.50 per share and selling stockholders sold 10,000,000 shares of common stock. The underwriters also exercised their overallotment option to purchase an additional 1,950,000 shares of common stock from the selling stockholders. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The follow-on offering resulted in gross proceeds to the Company of $43.5 million and net proceeds to the Company of $41.1 million after deducting underwriting discounts and commissions of $1.7 million and other estimated offering expenses of approximately $0.7 million payable by the Company. The Company incurred an additional $0.3 million of offering expenses on behalf of the selling stockholders, which was included in general and administrative expense in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2014.

On March 11, 2015, the Company closed a follow-on offering of its common stock, in which selling stockholders sold 12,000,000 shares of common stock at a public offering price of $19.00 per share. The underwriter also exercised its overallotment option to purchase an additional 1,800,000 shares of common stock from the selling stockholders. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The Company incurred $0.7 million of offering expenses on behalf of the selling stockholders, which was included in general and administrative expense in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements, which include the accounts of the Company 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

The Company has reviewed the criteria of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280-10, *Segment Reporting,* and determined that the Company is comprised of two segments for reporting purposes: web presence and email marketing.

In February 2016, the Company acquired Constant Contact. At the time of the acquisition, the Company anticipated that the gross margins of Constant Contact would become more aligned with the Company's other brands; however, through review of Constant Contact's performance during 2016, the Company noted that Constant Contact continued to return higher margins than originally anticipated, and therefore determined that Constant Contact should be its own reporting segment. As such, the Company determined that it has two reportable segments. The web presence segment consists predominantly of our web hosting brands and related products such as domain names, website security tools, website design tools and services, ecommerce tools and other services designed to grow the online presence of a small business. The email marketing segment

consists of the Constant Contact email marketing tools and the SinglePlatform marketing tool, both of which were acquired in the February 2016 acquisition of Constant Contact.

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, contingent consideration, derivative instruments, certain accruals, reserves and deferred taxes.

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 charge-backs, 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 subscribers' 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 carrying amount of the Company's contingent consideration is recorded at fair value. 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 approximate their carrying value.

Derivative Instruments and Hedging Activities

FASB ASC 815, *Derivatives and Hedging* ("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 risk, 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 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, 2014, 2015 and 2016, no subscriber represented 10% or more of the Company's total revenue. Additionally, as of December 31, 2015 and 2016, 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 capital lease 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, 2014, 2015 and 2016, the Company capitalized internal-use software development costs of $5.4 million, $5.5 million and $11.8 million, respectively.

Investments

The Company has minority investments in several privately-held companies. Investments in privately-held companies, in which the Company has a voting interest between 20.0% and 50.0% and exercises significant influence, are accounted for using the equity method of accounting. 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. The Company's share of net earnings or losses of the investee are reflected in equity losses of unconsolidated entities, net of tax, in the Company's accompanying consolidated statements of operations. Investments in which the Company has a voting interest of less than 20.0% and over which it does not have significant influence are accounted for under the cost method of accounting.

During the year ended December 31, 2016, the Company incurred a charge of $4.7 million to impair the Company's 33.0% equity interest in Fortifico Limited, after determining that there were diminishing projected future cash flows on this investment. This charge was recorded in other income, net in the consolidated statement of operations and comprehensive loss. Refer to *Note 8: Investments* for further details. This impairment was recorded within the web presence segment.

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 the Company's various business combinations 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 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, including 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. Additionally, the reorganization or change in the number of reporting units could result in the reassignment of goodwill between reporting units and may trigger an impairment assessment.

In accordance with ASC 350, *Intangibles—Goodwill and Other*, or ASC 350, 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. Under U.S. GAAP, a reporting unit is either the equivalent of, or one level below, an operating segment. The Company has determined it operates in two segments and that each segment is its own reporting unit, and as such, the Company has two reporting units, email marketing and web presence as of December 31, 2016. The provisions of ASC 350 require that a two-step impairment test be performed for goodwill. In the first step, the Company compares the fair value of its reporting unit to which goodwill has been allocated to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is considered not impaired and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company would record an impairment loss equal to the difference.

The Company's annual assessment date is December 31 of each fiscal year.

As of December 31, 2016, the Company determined fair values for each of the reporting units based on consideration of the income approach, the market comparable approach and the market transaction approach. For purposes of 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 uses its internal forecasts to estimate future after-tax cash flows and include an estimate of long-term future growth rates based on its most recent views of the long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts. The Company derived its discount rates using the weighted average cost of capital, using betas observed in its industry and published rates for industries relevant to our reporting units. The Company uses discount rates that are commensurate with the risks and uncertainty inherent in the respective business and its internally developed forecasts. Discount rates used in the Company's reporting unit valuations ranged from 11.0% to 12.0%. For purposes of the market approach, the Company uses a valuation technique in which values are derived based on market prices of comparable publicly traded companies. The Company also uses a market based valuation technique in which values are determined based on relevant observable information generated by market transactions involving comparable businesses. The Company assesses each valuation methodology based upon the relevance and availability of the data at the time it performs the valuation and weight the methodologies appropriately.

The carrying values of the reporting units were determined through specific allocation of assets and liabilities to the reporting units, and an apportionment method relating to our debt, whereby debt that was incurred in order to finance the acquisition of assets or businesses of a reporting unit was allocated to that reporting unit. In prior years, the Company had only one reporting unit. Subsequent to the acquisition of Constant Contact, and as described in *Note 20: Segment Information*, the Company determined that there is a second reporting unit relating to email marketing. The Company has allocated the fair value of the goodwill acquired through its acquisitions to the applicable reporting unit, and allocated the fair value of the goodwill acquired through its acquisition of Constant Contact to its email marketing reporting unit.

As of the Company's assessment date for 2016, the estimated fair values of its reporting units exceeded their carrying values and the Company concluded, based on the first step of the process, that no impairment existed as of that date in either of its reporting units.

As of December 31, 2016, the carrying value of goodwill that was allocated to the email marketing reporting unit and the web presence reporting unit was $604.3 million and $1,255.6 million, respectively. As of December 31, 2016, the fair value of the web presence segment exceeded the carrying value of its net assets by 67% and the fair value of the email marketing segment exceeded the carrying value of its net assets by 35%.

Goodwill amounted in aggregate to $1,207.3 million and $1,859.9 million as of December 31, 2015 and 2016, respectively, and no impairment charges have been recorded.

Long-Lived Assets

The Company's long-lived assets consist primarily of intangible assets, including acquired subscriber relationships, trade names, intellectual property, developed technology, domain names available for sale and in-process research and development ("IPR&D"). 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.

No impairment losses were identified for the years ended December 31, 2014 and December 31, 2015.

During the year ended December 31, 2016, the Company determined that a portion of an internally developed software tool would not meet its needs following the acquisition of Constant Contact, resulting in an impairment charge of $2.0 million which was recorded in engineering and development expense in the consolidated statements of operations and comprehensive

loss. Additionally, the Company recognized an impairment charge of $0.5 million relating to internally developed software relating to Webzai Ltd. ("Webzai"), and another impairment charge of $4.4 million relating to developed technology acquired in the Webzai acquisition, for a total impairment charge of $4.9 million, which was recorded in engineering and development expense in the consolidated statements of operations and comprehensive loss. Refer to *Note 6: Property and Equipment and Capital Lease Obligations* and *Note 7: Goodwill and Other Intangible Assets* for further details.

Also during the year ended December 31, 2016, the Company incurred total impairment charges of IPR&D of $2.2 million, consisting of $1.4 million to impair certain acquired IPR&D projects from the Webzai acquisition that were abandoned during the three months ended March 31, 2016 and a charge of $0.8 million to impair certain acquired IPR&D projects from the AppMachine acquisition. Refer to *Note 7: Goodwill and Other Intangible Assets*, and *Acquired In- Process Research and Development (IPR&D)* below for further details.

All of the impairments described above were recognized in the web presence segment.

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.

Acquired In-Process Research and Development (IPR&D)

Acquired IPR&D represents the fair value assigned to research and development assets that the Company acquires that have not been completed at the date of acquisition. The acquired IPR&D is capitalized as an intangible asset and reviewed on a quarterly basis to determine future use. Any impairment loss of the acquired IPR&D is charged to expense in the period the impairment is identified. Upon commercialization, the acquired fair value of the IPR&D will be reclassified to developed technology and amortized over its estimated useful life.

No such impairment losses were identified for the years ended December 31, 2014 and 2015.

During the year ended December 31, 2016, the Company identified that the acquired fair value of the remaining IPR&D acquired in connection with its acquisition of Webzai was impaired as these IPR&D projects were abandoned in favor of other projects. At that time, and as mentioned above, the Company recorded a $1.4 million impairment charge, which is reflected in engineering and development expense during the year ended December 31, 2016 in the Company's consolidated statements of operations and comprehensive loss. Additionally, during the year-ended December 31, 2016, the Company identified that the acquired fair value of the remaining IPR&D acquired in connection with its acquisition of AppMachine B.V. was impaired as these projects were abandoned in favor of other projects, and as such, the Company recorded a $0.8 million impairment charge, which is also reflected in engineering and development expense during the year ended December 31, 2016 in the Company's consolidated statements of operations and comprehensive loss.

During 2014, the Company capitalized $4.6 million of IPR&D in connection with its acquisition of Webzai. During the year ended December 31, 2015, $3.2 million was reclassified to developed technology and is being amortized over the estimated useful life of 4.0 years. During 2015, the Company did not capitalize any IPR&D in connection with its acquisitions of the assets of the U.S. retail portion of the Verio business of NTT America, Inc. ("Verio"), the assets of World Wide Web Hosting, LLC ("WWWH"), the assets of Ace Data Centers, Inc. ("Ace DC") and the ownership interests in Ace Holdings, LLC ("Ace Holdings") (these acquired assets and ownership interests, collectively, "Ace") and the assets of Ecommerce, LLC, ("Ecommerce"). During 2016, in addition to the impairment of the Webzai IPR&D mentioned above, the Company also capitalized $1.7 million of IPR&D in connection with its acquisition of AppMachine B.V. ("AppMachine"), of which approximately $0.9 million was reclassified to developed technology and is being amortized over the estimated useful life of 4.0 years, and the remaining $0.8 million was impaired, as previously mentioned. The Company did not capitalize any other IPR&D in connection with its other 2016 acquisitions of WZ (UK) Ltd and Constant Contact.

Revenue Recognition

The Company generates revenue primarily from selling subscriptions for cloud-based products and services. The subscriptions are similar across all of the Company's brands and are provided under contracts pursuant to which the Company has ongoing obligations to support the subscriber. These contracts are generally for service periods of up to 36 months and typically require payment in advance. The Company recognizes 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.

The Company sells domain name registrations that provide a subscriber with the exclusive use of a domain name. These domains are primarily obtained by one of the Company's registrars on the subscriber's behalf, or to a lesser extent by the Company 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 a registrar within the Company is recognized ratably over the subscriber's service period as the Company has the obligation to provide support over the domain term. Revenue from the sale of a domain name registration purchased by the Company from a third-party registrar is recognized when the subscriber is billed on a gross basis as there are no remaining Company obligations once the sale to the subscriber occurs, and the Company has full discretion on the sales price and bears all credit risk.

Revenue from the sale of premium domains is recognized when persuasive evidence of an arrangement to sell such domains exists, delivery of an authorization key to access the domain name has occurred, the fee for the sale of the premium domain is fixed or determinable, and collection of the fee for the sale of the premium domain is deemed probable.

Revenue from the sale of non-term based applications and services, such as certain online security products and professional technical services, referral fees and commissions, is recognized when the product is purchased, the service is provided or the referral fee or commission is earned, respectively.

A substantial amount of the Company's revenue is generated from transactions that are multiple-element service arrangements that may include hosting plans, domain name registrations, and other cloud-based products and services.

The Company follows the provisions of the FASB, Accounting Standards Update ("ASU") No. 2009-13 ("ASU 2009-13"), *Revenue Recognition (Topic 605), Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force* and allocates revenue to each deliverable in a multiple-element service arrangement based on its respective relative selling price.

Under ASU 2009-13, to treat deliverables in a multiple-element service arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately. Hosting services, domain name registrations, cloud-based products and services have standalone value and are often sold separately.

When multiple deliverables included in a multiple-element service arrangement are separated into different units of accounting, the total transaction amount is allocated to the identified separate units based on a relative selling price hierarchy. The Company determines the relative selling price for a deliverable based on vendor specific objective evidence ("VSOE") of fair value, if available, or best estimate of selling price ("BESP"), if VSOE is not available. The Company has determined that third-party evidence of selling price ("TPE") is not a practical alternative due to differences in its multi-brand offerings compared to competitors and the lack of availability of relevant third-party pricing information. The Company has not established VSOE for its offerings due to lack of pricing consistency, the introduction of new products, services and other factors. Accordingly, the Company generally allocates revenue to the deliverables in the arrangement based on the BESP. The Company determines BESP by considering its relative selling prices, competitive prices in the marketplace and management judgment; these selling prices, however, may vary depending upon the particular facts and circumstances related to each deliverable. The Company analyzes the selling prices used in its allocation of transaction amount, at a minimum, on a quarterly basis. Selling prices are analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis.

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 $0.5 million and $0.6 million as of December 31, 2015 and 2016, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2015 and 2016 was $1.8 million and $2.1 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 81% of all refunds happen in the same fiscal month that the contract starts or renews, and approximately 94% of all refunds happen within 45 days of the contract start or renewal date.

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.

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, 2014, 2015 and 2016, the Company's sales and marketing costs were $146.8 million, $145.4 million and $303.5 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 revenues 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, $1.9 million, and $1.8 million during the years ended December 31, 2014, 2015 and 2016, respectively. These amounts are recorded in general and administrative expense in the Company's consolidated statements of operations and comprehensive loss.

Income Taxes

Income taxes are accounted for in accordance with ASC 740, *Accounting for Income Taxes*, or ASC 740. 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 enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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. There were no unrecognized tax benefits in the years ended December 31, 2014, 2015 and 2016.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2014, 2015 and 2016, the Company did not recognize any interest and penalties related to unrecognized tax benefits.

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.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the consolidated statements of cash flows. This amendment is effective for annual periods beginning after December 15, 2016, and early adoption is permitted.

The Company elected to early adopt the new guidance in the fourth quarter of fiscal year 2016 which requires it to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The impact of the early adoption resulted in the following:

- Due to the Company's net shortfall position upon the time of adoption, the new standard resulted in additional tax expense in our provision for income taxes rather than paid-in capital of $0.9 million for the year ended December 31, 2016. The Company's beginning retained earnings was not impacted by the early adoption as the Company had a full valuation allowance against the U.S. deferred tax assets as of December 31, 2015.

- As a result of prior guidance that required excess tax benefits reduce taxes payable prior to recognition as an increase in paid in capital, the Company had not recognized certain deferred tax assets (loss carryforwards) that could be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting. As of January 1, 2016, the Company had generated federal and state net operating loss carryforwards due to excess tax benefits of $1.5 million and$0.7 million, respectively.

- The Company elected to eliminate the forfeiture rate and adopted the new policy to account for forfeitures in the period that they are incurred, and applied this policy on a modified retrospective basis. The impact of eliminating the forfeiture rate increased the stock compensation recorded in 2016 by $0.9 million, which included an immaterial prior period adjustment that the Company recorded through the consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

Net Loss 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 loss. The Company's basic net loss per share is computed by dividing net loss 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.

The Company's potentially dilutive shares of common stock are excluded from the diluted weighted-average number of shares of common stock outstanding as their inclusion in the computation would be anti-dilutive due to net losses. For the years ended December 31, 2014, 2015 and 2016, all non-vested shares granted prior to the Company's IPO in October 2013, stock options, restricted stock awards and restricted stock units were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive as a result of the net losses for these periods.

	For the Year Ended December 31,		
	2014	2015	2016
	(in thousands, except share amounts and per share data)		
Computation of basic and diluted net loss per share:			
Net loss attributable to Endurance International Group Holdings, Inc.	$ (42,835)	$ (25,770)	$ (72,831)
Net loss per share attributable to Endurance International Group Holdings, Inc.:			
Basic and diluted	$ (0.34)	$ (0.20)	$ (0.55)
Weighted average number of common shares used in computing net loss per share attributable to Endurance International Group Holdings, Inc.:			
Basic and diluted	127,512,346	131,340,557	133,415,732

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

	For the Year Ended December 31,		
	2014	2015	2016
Restricted Stock Awards	2,512,755	3,019,349	8,019,241
Options	5,436,298	6,723,589	10,380,991
Total	7,949,053	9,742,938	18,400,232

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, the Company's 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, 2016, the Company had not experienced any losses related to these indemnification obligations and no claims with respect thereto were outstanding. The Company does not expect significant claims related to these indemnification obligations and consequently concluded that the fair value of these obligations is negligible and no related liabilities were established.

Recent Accounting Pronouncements - Recently Adopted

The Company adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* beginning on January 1, 2016, and retrospectively for all periods presented. ASU 2015-03 requires that debt issuance costs related to a recognized debt

liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The unamortized value of deferred financing costs associated with our revolving credit facility were not affected by the ASU and continue to be presented as an asset on the Company's consolidated balance sheets.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This new guidance requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer needs to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the provisional amounts, calculated as if the accounting had been completed as of the acquisition date. ASU 2015-16 is effective for annual reporting periods beginning after December 15, 2015. The Company adopted ASU 2015-16 which did not have a material effect on its accounting processes, adjustments made during the period were immaterial.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*, or ASU 2015-17. This new guidance requires that deferred tax liabilities and assets be classified as noncurrent in the balance sheet, in order to simplify the presentation of deferred income taxes. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016. The Company adopted ASU 2015-17 as of the fourth quarter in 2015, on a prospective basis, and it did not have a material impact on its consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the consolidated statements of cash flows. The Company elected to early adopt the new guidance in the fourth quarter of fiscal year 2016 which requires it to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. Refer to *Stock-Based Compensation* above for further information.

Recent Accounting Pronouncements - Recently Issued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) , or ASU 2014-09, 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 and ASU 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing, which further elaborate on the original ASU No. 2014-09. The core principle of these updates is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgments and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In July 2015, the FASB approved a one-year deferral of the effective date to January 1, 2018, with early adoption to be permitted as of the original effective date of January 1, 2017. Once this standard becomes effective, companies may use either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company has performed an initial assessment of ASU 2014-09, and expects that this new guidance will impact the timing of when certain sales incentive payments, primarily external parties, are charged to expense as these costs must be deferred over the life of the related customer contract. The Company also expects that a considerable portion of its revenue recognition will not be materially impacted by this new guidance. The Company is currently calculating the impact of all expected changes from this guidance, and expects to have these calculations complete during the second half of fiscal 2017. After completing these calculations, the Company will then determine the transition method to be applied upon adoption.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This new standard enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This amendment is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements, but does not believe that this will have a material effect.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a 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 is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements, but expects that it will increase its assets and liabilities.

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, *Investments—Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting*. This new guidance removes the requirement for retroactive adjustment when an increase or decrease in the level of ownership qualifies an investment for the equity method. This amendment is effective for fiscal years beginning after December 15, 2016. The Company does not expect a material impact on its financial position or results of operations from adoption of this standard.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This new standard clarifies certain statement of cash flow presentation issues. This amendment is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*. This new standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This amendment is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. The Company does not believe the adoption of this ASU will have a material impact on its consolidated Financial Statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows: Restricted Cash*. This new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. This amendment is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. The Company does not believe the adoption of this ASU will have a material impact on its consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*. This new standard eliminates Step 2, and instead an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis .The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

3. 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 IPR&D. 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 relief from royalty method. The fair value assigned to IPR&D is based on the relief from royalty method. 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 loss.

Acquisitions—2015

Verio

On May 26, 2015, the Company acquired the assets of the U.S. retail portion of the Verio business of NTT America, Inc., which is a provider of shared, virtual private server ("VPS") and dedicated hosting services.

The aggregate purchase price was $13.0 million, of which $10.5 million was paid in cash at the closing. The Company was obligated to pay the remaining cash consideration of $2.5 million on the first anniversary of the acquisition, less amounts used to satisfy any obligation determined to be owed to the Company for any indemnity pursuant to the asset purchase agreement. As of December 31, 2016, the Company has paid approximately $2.4 million of the remaining cash consideration, while $50,000 has been retained as a hold-back until certain conditions are satisfied.

The purchase price of $13.0 million has been allocated to intangible assets consisting of subscriber relationships and trade names of $13.1 million and $0.1 million, respectively, and goodwill of $1.2 million, offset by deferred revenue of $1.4 million. Goodwill related to the acquisition is deductible for tax purposes and related primarily to expected synergies.

World Wide Web Hosting

On June 25, 2015, the Company acquired substantially all of the assets of World Wide Web Hosting ("WWWH"), which is a provider of web presence solutions doing business under the brand name Site5. The Company previously had an equity interest in WWWH, which was originally acquired when the Company acquired Hostgator.com LLC on July 13, 2012.

The aggregate purchase price was $34.9 million, $23.0 million of which was payable in cash and $11.9 million of which was the implied value of the pro rata interest in the acquired assets that the Company obtained upon the seller's redemption of its 40% equity interest in WWWH. The Company recognized a $5.4 million gain as a result of this redemption, which was recorded as other income in the Company's consolidated statement of operations and comprehensive loss. Of the $23.0 million payable in cash, $18.4 million was paid at the closing and the Company was obligated to pay the remaining cash consideration of $4.6 million on the first anniversary of the acquisition, less amounts used to satisfy any obligation determined to be owed to the Company for any indemnity pursuant to the asset purchase agreement. The Company paid the remaining cash consideration of $4.6 million during the year ended December 31, 2016.

The purchase price of $34.9 million has been allocated to intangible assets consisting of subscriber relationships and trade names of $11.0 million and $1.9 million, respectively, goodwill of $23.3 million, and prepaid expenses and other current assets of $1.2 million, offset by deferred revenue of $2.5 million. Goodwill related to the acquisition is deductible for tax purposes and related primarily to expected synergies.

Ace Data Center and Ace Holdings

On September 21, 2015, the Company entered into a purchase agreement with Ace Data Center ("Ace DC") to acquire substantially all of the assets of Ace DC and with Ace Holdings and its owners to acquire all of the ownership interests in Ace Holdings. Ace DC is the manager of a data center that provides colocation, infrastructure and carrier-neutral connectivity services. This data center is the Company's largest data center. Ace Holdings owns the real property, improvements and building at and on which the data center is located, including certain non-systems equipment and personal property.

The aggregate purchase price was $74.0 million, of which $44.4 million was paid in cash at the closing. Under the terms of the purchase agreement, within approximately 75 days of the closing date of the acquisition, the purchase consideration was subject to a working capital adjustment and a tax gross up adjustment, which resulted in an additional $0.7 million payment from the Company on December 2, 2015. The Company was obligated to pay the remaining cash consideration of $31.5 million on the first anniversary of the acquisition, less amounts used to satisfy any obligation determined to be owed to the Company for any indemnity pursuant to the asset purchase agreement. The net present value of the remaining cash consideration was $28.9 million, which was the amount used to calculate the $74.0 million aggregate purchase price above. An aggregate amount of $0.7 million for the accretion of the present value of the remaining cash consideration was included in interest expense for the year ended December 31, 2015, resulting in the net present value of the remaining cash consideration at December 31, 2015 of $29.6 million. The Company paid the remaining cash consideration during the year ended December 31, 2016 of $31.4 million.

The purchase price of $74.0 million has been allocated to property and equipment, including real property, of $12.1 million, goodwill of $62.2 million, prepaid expenses and other current assets of $0.2 million and developed technology of $0.1 million, offset by other liabilities of $0.6 million. The goodwill reflects the value of estimated cost efficiencies gained for the Company by owning its own data center. Goodwill related to the acquisition is deductible for tax purposes.

Ecommerce

On November 2, 2015, the Company acquired the assets of Ecommerce, which is a provider of shared, VPS and cloud hosting services, domain registration services and add-on products.

The aggregate purchase price was $28.0 million, of which $23.8 million was paid in cash at the closing. The Company was obligated to pay the remaining cash consideration of $4.2 million on the first anniversary of the acquisition, less amounts used to satisfy any obligation determined to be owed to the Company for any indemnity pursuant to the asset purchase agreement. The Company paid the remaining cash consideration during the year ended December 31, 2016.

The purchase price of $28.0 million has been allocated to intangible assets consisting of subscriber relationships, intellectual property and trade names of $9.4 million, $4.4 million and $0.1 million, respectively, and goodwill of $16.7 million, offset by deferred revenue of $2.6 million. Goodwill reflects the value of estimated synergies and is deductible for tax purposes.

Acquisitions—2016

WZ (UK) Ltd.

In August 2014, the Company made an aggregate investment of $3.9 million for a joint venture with a 49% ownership interest in WZ UK, which is a provider of technology and sales and marketing services associated with web builder solutions. The Company and the other shareholders of WZ UK entered into a put and call option for the Company to acquire additional equity interests WZ UK under certain circumstances.

On January 6, 2016, the Company partially exercised this option, which increased its stake in WZ UK from 49% to 57.5%. Upon the exercise of the option, the Company estimated the fair value of the assets and liabilities in accordance with the guidance for business combinations and estimated that the value of the noncontrolling interest (“NCI”) on January 6, 2016 was $10.8 million. The estimated aggregate purchase price of $22.2 million included a gain of $11.4 million that was calculated based on the implied fair value of the Company’s 49.0% equity investment and the NCI of $10.8 million, which were allocated to goodwill of $21.6 million, intangible assets consisting of subscriber relationships of $4.9 million, and property, plant and equipment of $0.3 million, offset by deferred revenue of $3.3 million and negative working capital of $1.3 million. Goodwill related to the acquisition, which is part of the Company’s web presence reporting segment, is not deductible for tax purposes. Goodwill reflected primarily marketing know-how of the acquired company.

The Company recognized the $11.4 million gain in other income in the Company’s consolidated statements of operations and comprehensive loss. As the NCI is subject to a put option that is outside the control of the Company, it is deemed a redeemable non-controlling interest and not recorded in permanent equity, and is being presented as mezzanine redeemable non-controlling interest on the consolidated balance sheet. The difference between the initial fair value of the redeemable non-controlling interest and the value expected to be paid on exercise, which is estimated to be $30.0 million, was being accreted over the period commencing January 6, 2016, and up to the end of the second call option period which was August 14, 2016. Adjustments to the carrying amount of the redeemable non-controlling interest were charged to additional paid-in capital.

On May 16, 2016, the Company amended the put and call option described above to allow it to acquire an additional equity interest in WZ UK earlier than August 2016. Pursuant to this amended option, on the same date the Company acquired an additional 20% stake in WZ UK for $15.4 million, thus increasing its ownership interest from 57.5% to 77.5%.

On July 13, 2016, WZ UK completed a restructuring pursuant to which the Company and the minority shareholders of Pseudio Limited and Resume Labs Limited sold their shares in these entities to WZ UK, in exchange for shares in WZ UK. As a result of the restructuring, Pseudio Limited and Resume Labs Limited became wholly-owned subsidiaries of WZ UK, and the Company’s ownership of WZ UK was diluted from 77.5% to 76.4%. Immediately subsequent to the restructuring, the Company acquired an additional 10% equity interest in WZ UK for $18.0 million, thereby increasing the Company’s ownership interest to 86.4%.

Concurrent with the restructuring, the Company amended the put and call option described above to provide for Company to acquire the remaining 13.6% equity interest in WZ UK for $25.0 million under certain circumstances, either through a put option that is exercisable by the minority shareholders of WZ UK beginning on July 1, 2017, or by a call option that is exercisable by the Company beginning on January 1, 2018. The Company started accreting the $25.0 million starting in July 2016. Refer to *Note 13: Redeemable Non-controlling Interest,* for further details.

Constant Contact, Inc.

On October 30, 2015, the Company entered into a definitive agreement pursuant to which it agreed to acquire all of the outstanding shares of common stock of Constant Contact for $32.00 per share in cash, for a total purchase price of approximately $1.1 billion. Constant Contact is a leading provider of online marketing tools that are designed for small organizations, including small businesses, associations and non-profits. The acquisition closed on February 9, 2016.

The aggregate purchase price of $1.1 billion, which was paid in cash at the closing, is being allocated to intangible assets consisting of subscriber relationships, developed technology and trade names of $263.0 million, $83.0 million and $52.0 million, respectively, goodwill of $604.3 million, property and equipment of $39.6 million, and working capital of $184.2 million, offset by a net deferred tax liability of $125.1 million and deferred revenue of $25.2 million. The goodwill reflects the value of expected synergies.

Goodwill related to the acquisition, which is included in the Company's email marketing reporting unit, is not deductible for tax purposes.

Pro Forma Disclosure

The Company acquired Constant Contact on February 9, 2016, and the results of Constant Contact have been included in the results of the Company since February 10, 2016. The following unaudited information is presented as if the Constant Contact acquisition was completed as of January 1, 2015. The Company has not presented unaudited pro forma results for the quarterly and annual periods following March 31, 2016, as Constant Contact is included for the entire fiscal periods after that date. The unaudited pro forma results are not necessarily indicative of the actual results that would have occurred had the transaction actually taken place at the beginning of the period indicated.

Unaudited pro forma revenue for the fiscal years ended December 31, 2015 and 2016 was $1.1 billion and $1.2 billion, respectively. Unaudited pro forma net loss attributable to Endurance International Group Holdings, Inc. for the fiscal years ended December 31, 2015 and 2016 was $107.8 million, and $59.1 million, respectively. Unaudited pro forma net loss includes adjustments for additional interest expense related to the debt incurred in connection with the acquisition of Constant Contact.

Pro forma revenue for the fiscal year ended December 31, 2016 has been reduced by $15.2 million due to the application of purchase accounting for Constant Contact, which reduced the fair value of deferred revenue as of the closing date. Additionally, pro forma net loss for the year ended December 31, 2016 includes restructuring charges of approximately $22.2 million as the Company implemented plans to reduce the cost structure of the combined businesses.

AppMachine B.V.

In December 2014, the Company made an aggregate investment of $15.2 million to acquire a 40.0% ownership interest in AppMachine B.V. ("AppMachine"), which is a developer of software that allows users to build mobile applications for smart devices such as phones and tablets. Under the terms of the investment agreement for AppMachine, the Company was obligated to purchase the remaining 60.0% of AppMachine in three tranches of 20.0% within specified periods if AppMachine achieved a specified minimum revenue threshold within a designated timeframe. The consideration for each of those three tranches was to be calculated as the product of AppMachine's revenue, as defined in that investment agreement, for the trailing twelve-month period prior to the applicable determination date times a specified multiple based upon year over year revenue growth multiplied by 20.0%.

On July 27, 2016, the Company acquired the remaining 60% equity interest in AppMachine, increasing the Company's stake to 100%. In connection with the acquisition, the parties terminated the prior investment agreement pursuant to which the Company was obligated to purchase the remaining shares in AppMachine in three tranches. The total consideration based on the new agreement was $22.5 million, of which $5.5 million was paid upon closing, and the remaining $17.0 million (which includes $4.0 million of post-acquisition compensation expense) will be paid in annual installments over a period of four years, commencing with June 21, 2017. The net present value of the additional consideration is $11.5 million, which is included in the aggregate purchase price and recorded as deferred consideration in the Company's consolidated balance sheets as of December 31, 2016. The remaining $1.5 million is being accreted as interest expense. The $4.0 million relating to retention bonuses is being accrued over the employment term associated with these employees.

On the date of acquisition, the Company recognized a loss of $4.9 million that was calculated based on the implied fair value of the investment, which was recorded in other income (expense) in the Company's consolidated statements of operations and comprehensive loss.

The purchase price of $25.7 million, which consists of the purchase consideration of $13.0 million, at a present value of $11.5 million, and the carrying value of the existing investment of $13.6 million, partially offset by the loss of $4.9 million, is being allocated on a preliminary basis to intangible assets consisting of subscriber relationships of $0.1 million, developed technology of $1.7 million, and technology in the process of development of $1.7 million, goodwill of $21.5 million, property and equipment of $0.6 million, and working capital of approximately $0.4 million, offset by deferred revenue of $0.2 million, and other long term liabilities of $0.1 million. Goodwill related to the acquisition, which is included in the Company's web presence reporting unit, is not deductible for tax purposes. The goodwill reflects the value of expected synergies and technology know-how.

Financial Performance

The Company recorded revenue attributable to its 2016 acquisitions in its consolidated statements of operations and comprehensive loss for the year-ended December 31, 2016 of $340.9 million. The 2016 acquisitions generated a net loss for the year ended December 31, 2016 of $46.0 million which is recorded in the Company's consolidated statements of operations and comprehensive loss. The $32.3 million of transaction expenses in the Company's consolidated statements of operations and comprehensive loss included a $16.8 million charge related to the accelerated vesting of certain Constant Contact equity awards, and approximately $15.5 million in advisor, legal, and other acquisition-related fees.

For the intangible assets acquired in connection with all acquisitions completed during the twelve months ended December 31, 2016, developed technology has a weighted-useful life of 4.1 years, subscriber relationships have a weighted-useful life of 4.4 years and trade names have a weighted-useful life of 4.7 years.

Summary of Deferred Consideration Related to Acquisitions

Components of deferred consideration short-term and long-term as of December 31, 2015, consisted of the following:

	Short-term	Long-term
	(in thousands)	
Mojoness, Inc. (Acquired in 2012)	$ 657	$ 813
Typepad (Acquired in 2013)	2,800	—
Webzai (Acquired in 2014)	2,848	—
BuyDomains (Acquired in 2014)	4,283	—
Verio (Acquired in 2015)	2,474	—
WWWH (Acquired in 2015)	4,600	—
Ace (Acquired in 2015)	29,626	—
Ecommerce (Acquired in 2015)	4,200	—
Total	$ 51,488	$ 813

Components of deferred consideration short-term and long-term as of December 31, 2016, consisted of the following:

	Short-term	Long-term
	(in thousands)	
Mojoness, Inc. (Acquired in 2012)	$ 818	$ —
Verio (Acquired in 2015)	50	—
Social Booster (Acquired in 2016)	40	25
AppMachine (Acquired in 2016)	4,365	7,419
Total	$ 5,273	$ 7,444

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, 2015 and 2016, the Company's financial assets or liabilities required to be measured on a recurring basis are accrued earn-out consideration payable in connection with the 2012 acquisition of certain assets of Mojoness, Inc., or Mojo, and the 2015 interest rate cap. The Company has classified its interest rate cap discussed in Note 5 below within Level 2 of the fair value hierarchy. The Company has classified its liabilities for contingent earn-out consideration related to the Mojo acquisition within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which included probability weighted cash flows. During the year ended December 31, 2014, the Company paid $0.2 million related to the earn-out provisions for the Mojo acquisition and recorded $23.0 million related to the 2014 domain name business acquisition of which $14.0 million was paid during the year ended December 31, 2014. The Company recorded a $0.4 million change in fair value of the earn-out consideration related to Mojo and the 2014 domain name business during the year ended December 31, 2014. During the year ended December 31, 2015, the Company paid $0.5 million related to the earn-out provisions for the Mojo acquisition and paid $10.1 million related to the earn-out provisions of the 2014 domain name business acquisition. The Company recorded a $1.2 million change in fair value of the earn-out consideration related to the earn-out provisions of the Mojo and 2014 domain name business acquisitions during the year ended December 31, 2015. During the year ended December 31, 2016, the Company paid $0.7 million related to the earn-out provisions for the Mojo acquisition. The Company recorded an immaterial change in fair value of the earn-out consideration related to the earn-out provisions for the Mojo acquisition.

The earn-out consideration in the table below is included in total deferred consideration in the Company's consolidated balance sheets.

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, 2015				
Financial assets:				
Interest rate cap (included in other assets)	$ 3,130	—	$ 3,130	$ —
Total financial assets	$ 3,130	$ —	$ 3,130	$ —
Financial liabilities:				
Contingent earn-out consideration	$ 1,469	—	—	$ 1,469
Total financial liabilities	$ 1,469	$ —	$ —	$ 1,469
Balance at December 31, 2016				
Financial assets:				
Interest rate cap (included in other assets)	$ 979	—	$ 979	$ —
Total financial assets	$ 979	$ —	$ 979	$ —
Financial liabilities:				
Contingent earn-out consideration	$ 818	—	—	$ 818
Total financial liabilities	$ 818	$ —	$ —	$ 818

The following table summarizes the changes in the financial liabilities measured on a recurring basis using Level 3 inputs as of December 31, 2015 and 2016:

	Amount (in thousands)
Financial liabilities measured using Level 3 inputs at January 1, 2015	$ 10,887
Payment of contingent earn-out related to 2012 and 2014 acquisitions	(10,592)
Change in fair value of contingent earn-outs	1,174
Financial liabilities measured using Level 3 inputs at December 31, 2015	1,469
Payment of contingent earn-outs related to 2012 acquisitions	(668)
Change in fair value of contingent earn-outs	17
Financial liabilities measured using Level 3 inputs at December 31, 2016	$ 818

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 entered into a three-year interest rate cap on December 9, 2015 as part of its risk management strategy. The objective of this interest rate cap, designated as cash flow hedges, involves the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an upfront premium. Therefore, this derivative limits the Company's exposure if the rate rises, but also allows the Company to benefit when the rate falls.

The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income ("AOCI"), and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Amounts reported in accumulated other comprehensive income 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, 2016.

As of December 31, 2016, the Company had one interest rate cap with $500.0 million notional outstanding that was designated as a cash flow hedge of interest rate risk. The fair value of the interest rate contracts on the consolidated balance sheet as of December 31, 2015 and 2016 was $3.1 million and $1.0 million, respectively, and the Company recognized an immaterial amount of interest expense in the Company's consolidated statement of operations for both periods. The Company recognized a $1.4 million gain, net of tax benefit of $0.8 million in AOCI for the year ended December 31, 2016, of which the Company estimates that $0.6 million will be reclassified as an increase to interest expense in the next twelve months. For the year ended December 31, 2015, the Company recognized a $0.1 million gain in AOCI.

6. Property and Equipment and Capital Lease Obligations

Components of property and equipment consisted of the following:

	As of December 31,	
	2015	2016
	(in thousands)	
Land	$ 713	$ 790
Building	5,091	5,517
Software	40,336	52,130
Computers and office equipment	97,332	143,091
Furniture and fixtures	5,914	10,892
Leasehold improvements	7,126	21,244
Construction in process	6,137	6,691
Property and equipment—at cost	162,649	240,355
Less accumulated depreciation	(86,887)	(145,083)
Property and equipment—net	$ 75,762	$ 95,272

Depreciation expense related to property and equipment for the years ended December 31, 2014, 2015 and 2016, was $31.0 million, $34.0 million, and $60.4 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 year ended December 31, 2016, the Company determined that a portion of an internally developed software tool would not meet its needs following the acquisition of Constant Contact. As a result, the Company recorded a $2.0 million impairment charge in engineering and development expense in the Company's consolidated statements of operations and comprehensive loss. Additionally, during the year ended December 31, 2016, the Company recorded an impairment charge of $0.5 million in engineering and development expense relating to internally developed software, developed after the Webzai acquisition, which closed in August 2014, after evaluating it for impairment in accordance with ASC 360, Property, Plant and Equipment. This software is also linked to certain developed technology that was acquired as part of the Webzai acquisition and was also determined to be impaired. Refer to *Note 7: Goodwill and Other Intangible Assets* for further details.

Both of these impairment charges discussed above were recognized in the Company's web presence segment.

During the years ended December 31, 2015 and 2016, the Company entered into agreements to lease software licenses for use on certain data center server equipment for terms ranging from thirty-six months to thirty-nine months.

As of December 31, 2015 and 2016, the Company's software shown in the above table included the software assets under a capital lease as follows:

	As of December 31,	
	2015	2016
	(in thousands)	
Software	$ 21,499	$ 21,499
Less accumulated depreciation	(8,412)	(14,750)
Assets under capital lease—net	$ 13,087	$ 6,749

At December 31, 2016, the expected future minimum lease payments under the capital lease discussed above were approximately as follows:

	Amount
	(in thousands)
2017	6,895
2018	575
Total minimum lease payments	$ 7,470
Less amount representing interest	(268)
Present value of minimum lease payments (capital lease obligation)	$ 7,202
Current portion	$ 6,690
Long-term portion	$ 512

7. Goodwill and Other Intangible Assets

The following table summarizes the changes in the Company's goodwill balances as of December 31, 2015 and 2016:

	Web Presence Unit	Email Marketing Unit	Total
	Amount	Amount	Amount
	(in thousands)	(in thousands)	(in thousands)
Goodwill balance at January 1, 2015	$ 1,105,023	$ —	$ 1,105,023
Goodwill related to 2015 acquisitions	103,444	—	103,444
Foreign translation impact	(1,212)	—	(1,212)
Goodwill balance at December 31, 2015	1,207,255	—	1,207,255
Goodwill related to 2015 acquisitions	5,978	—	5,978
Goodwill related to 2016 acquisitions	43,019	604,305	647,324
Foreign translation impact	(648)	—	(648)
Goodwill balance at December 31, 2016	$ 1,255,604	$ 604,305	$ 1,859,909

In accordance with ASC 350, the Company reviews goodwill and other indefinite-lived intangible assets for indicators of impairment on an annual basis and between tests 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, 2015 and, 2016, the fair value of each of the Company's reporting units exceeded the carrying value of the reporting unit's net assets. Therefore, no impairment existed as of those dates.

At December 31, 2015, other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
		(dollars in thousands)		
Developed technology	$ 205,925	$ 80,795	$ 125,130	7 years
Subscriber relationships	397,791	256,461	141,330	5 years
Trade-names	81,792	42,080	39,712	6 years
Intellectual property	34,020	6,596	27,424	13 years
Domain names available for sale	27,859	3,107	24,752	Indefinite
Leasehold interests	314	314	—	1 year
In-process research and development	1,438	—	1,438	—
Total December 31, 2015	$ 749,139	$ 389,353	$ 359,786	

At December 31, 2016, other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
		(dollars in thousands)		
Developed technology	$ 284,005	$ 111,348	$ 172,657	7 years
Subscriber relationships	659,662	345,070	314,592	7 years
Trade-names	133,805	57,789	76,016	8 years
Intellectual property	34,084	10,270	23,814	13 years
Domain names available for sale	29,954	4,976	24,978	Indefinite
Leasehold interests	314	314	—	1 year
Total December 31, 2016	$ 1,141,824	$ 529,767	$ 612,057	

During the year ended December 31, 2016, the Company wrote-off acquired in-process research and development of $1.4 million related to its acquisition of Webzai and $0.8 million related to its acquisition of AppMachine, as the Company had abandoned certain research and development projects in favor of other projects. Additionally, during the year ended December 31, 2016, the Company recorded an impairment charge of $4.4 million relating to developed technology from the Webzai acquisition, after evaluating it for impairment in accordance with ASC 350. This developed technology is also linked to certain internally developed software that was developed at Webzai after its acquisition by the Company which was also determined to be impaired. Refer to *Note 6: Property and Equipment and Capital Lease Obligations*, for further details.

Both of the impairments described above were recognized in the web presence segment.

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 $102.7 million, $91.1 million, and $143.6 million for the years ended December 31, 2014, 2015 and 2016, respectively.

At December 31, 2016, 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)
2017	$ 137,000
2018	103,000
2019	86,000
2020	72,000
2021	62,000
Thereafter	127,000
Total	$ 587,000

8. Investments

As of December 31, 2015 and 2016, the Company's carrying value of investments in privately-held companies was $27.9 million and $15.9 million, respectively.

In January 2012, the Company made an initial investment of $0.3 million to acquire a 25% interest in BlueZone Labs, LLC ("BlueZone"), a provider of "do-it-yourself" tools and managed search engine optimization services.

The Company also has an agreement with BlueZone to purchase products and services. During the years ended December 31, 2015 and 2016, the Company purchased $1.1 million and $1.6 million, respectively, of products and services from BlueZone, which is included in the Company's consolidated statements of operations and comprehensive loss. As of

December 31, 2015 and 2016, $0.1 million and $0.1 million, respectively, relating to our investment in BlueZone was included in accounts payable and accrued expense in the Company's consolidated balance sheet.

In July 2012, the Company assumed a 50% interest in WWWH, a provider of web presence solutions, with a fair value of $10.0 million. On October 31, 2013, the Company sold 20% of its ownership interest, or 10% of the capital stock of WWWH, reducing its equity interest to 40%. On June 25, 2015, the Company acquired substantially all of the assets of WWWH. In connection with the asset purchase agreement dated June 25, 2015, the seller redeemed from the Company its 40% equity interest in exchange for a pro rata interest in the acquired assets, which had an estimated implied value of $11.9 million. The Company recognized a $5.4 million gain as a result of the redemption of its equity interest, which was recorded as other income for the year ended December 31, 2015 in the Company's consolidated statements of operations and comprehensive loss. In addition, the Company received a $3.5 million repayment of total notes receivable that were due to the Company from the seller of WWWH prior to the acquisition. For more detail, see *Note 3: Acquisitions* to the consolidated financial statements.

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 and better aligns the Company with an important partner.

In August 2014, the Company made an aggregate investment of $3.9 million for a joint venture with a 49.0% ownership interest in WZ UK Ltd., which is a provider of technology and sales marketing services associated with web builder solutions. On January 6, 2016, the Company exercised an option to increase its stake in WZ UK Ltd from 49.0% to 57.5%. Refer to *Note 3: Acquisitions* for further details.

During 2014 and 2015, the Company had a license agreement with WZ UK Ltd. to license certain technology to WZ UK Ltd. to enable it to use, develop, market, distribute, host and support website builder applications. Under the terms of the license agreement, the Company received a royalty payment in the amount of 4.5% of all billings in the previous month, net of any refunds, chargebacks and any other credits applied. During the years ended December 31, 2014 and 2015, the Company recognized $0.0 million and $0.4 million, respectively, of royalty revenue under the terms of the license agreement.

During the years ended December 31, 2014 and 2015, the Company's proportionate share of net loss from its investment in WZ UK Ltd. was $0.2 million and $13.9 million, respectively. On July 2, 2015, the Company and the majority investor made additional equity contributions to WZ UK Ltd. The Company's share of the incremental investments was approximately $7.4 million. On December 21, 2015, the Company and the majority investor made additional equity contributions to WZ UK Ltd. The Company's share of the incremental investment was $1.1 million.

The significance of the net loss of WZ UK Ltd., in comparison to the Company's net loss requires the disclosure of summarized financial information from the statement of operations and comprehensive loss for WZ UK Ltd. The following table presents a summary of the statement of operations and comprehensive loss for WZ UK Ltd. for the years ended December 31, 2014 and 2015:

	For the years ended December 31,	
	2014	2015
	(in thousands)	
Revenue	$ 1	$ 4,053
Gross profit (loss)	$ (96)	$ 1,095
Operating loss	$ (694)	$ (28,439)
Net loss	$ (694)	$ (28,439)

As of December 31, 2015, WZ UK Ltd. had total assets of $2.1 million, and total liabilities of $6.7 million. On January 6, 2016, the Company exercised its option to increase its stake on WZ UK Ltd. from 49.0% to 57.5%, thereby acquiring a controlling interest. As of December 31, 2016, WZ UK Ltd. is consolidated in the Company's financial statements. Refer to *Note 3: Acquisitions* and *Note 13: Redeemable Non-controlling Interest,* for further details.

In December 2014, the Company also made an aggregate investment of $15.2 million to acquire a 40.0% ownership interest in AppMachine, which is a developer of software that allows users to build mobile applications for smart devices such as phones and tablets. Under the terms of the investment agreement for AppMachine the Company was obligated to purchase the remaining 60.0% of AppMachine in three tranches of 20.0% within specified periods if AppMachine achieved a specified

minimum revenue threshold within a designated timeframe. The agreement was terminated in July 2016, when the Company acquired the remaining 60.0% of the equity interest in AppMachine. Refer to *Note 3: Acquisitions* for further details.

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.

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, 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 loss. The Company recognized net losses of $0.1 million, $14.6 million, and $1.3 million for the years ended December 31, 2014, 2015 and 2016, respectively, related to its investments.

From time to time, the Company may make new and follow-on investments and may receive distributions from investee companies. As of December 31, 2016, the Company was not obligated to fund any follow-on investments in these investee companies.

As of December 31, 2016, 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, 2016, 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 loss.

9. Notes Payable

At December 31, 2015 and 2016, notes payable, net of original issuance discount and deferred financing costs, consisted of the following:

	For the Year Ended December 31,	
	2015	2016
	(in thousands)	
First Lien Term Loan	$ 1,025,385	$ 985,640
Incremental First Lien Term Loan	—	674,860
Senior Notes	—	326,480
Revolving Credit Facilities	67,000	—
Total Notes Payable	1,092,385	1,986,980
Current portion of Notes Payable	77,500	35,700
Notes Payable - long-term	$ 1,014,885	$ 1,951,280

First Lien Term Loan

The Company has a first lien term loan (“First Lien”), which originated in November 2013, had an original balance of $1,050.0 million and a maturity date of November 9, 2019. As of December 31, 2015 and 2016, the First Lien had an outstanding balance of:

	For the Year Ended December 31,			
	2015		2016	
First Lien Term Loan	$	1,026,375	$	985,875
Unamortized deferred financing costs		(990)		(235)
Net First Lien Term Loan		1,025,385		985,640
Current portion of First Lien Term Loan		10,500		21,000
First Lien Term Loan - long term	$	1,014,885	$	964,640

The First Lien automatically bears interest at the bank's reference rate unless the Company gives notice to opt for LIBOR-based interest rate term loans. During the year ended December 31, 2015 and during the period January 1, 2016 through February 8, 2016, the interest rate for a LIBOR based interest term loan was 4.00% plus the greater of the LIBOR rate or 1.00%, and the interest rate for a reference rate term loan was 3.00% per annum plus the greater of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR rate or 2.00%. The First Lien bore interest at a LIBOR-based rate of 5.00% during this period.

As a result of the refinancing on February 9, 2016 (the "Refinancing") in connection with the acquisition of Constant Contact and the triggering of the "most-favored nation" pricing provision in the First Lien, the interest rate on the First Lien increased to LIBOR (subject to a LIBOR floor of 1.0%) plus 5.23% per annum starting February 9, 2016 and to LIBOR (subject to a LIBOR floor of 1.0%) plus 5.48% per annum on February 28, 2016. The interest rate on a reference First Lien loan increased to reference rate (subject to a floor of 2.0%) plus 4.23% per annum starting February 9, 2016 and to reference rate (subject to a floor of 2.0%) plus 4.48% per annum starting February 28, 2016.

The First Lien requires quarterly mandatory repayments of principal. During the year ended December 31, 2015, these mandatory repayments were set at $2.6 million at the end of each quarter. As a result of the Refinancing, the Company is obligated to use commercially reasonable efforts to make voluntary repayments on the First Lien to effectively double the amount of each scheduled amortization payment under this facility. During the year ended December 31, 2015, the Company repaid $10.5 million against the First Lien. During the year ended December 31, 2016, the Company made mandatory repayments of $10.5 million and voluntary prepayments of $30.0 million against the First Lien.

Interest is payable on maturity of the elected interest period for a LIBOR-based interest loan, which can be one, two, three or 6 months. Interest is payable at the end of each fiscal quarter for a reference rate interest First Lien loan.

Incremental First Lien Term Loan

In connection with the acquisition of Constant Contact on February 9, 2016, the Company entered into the Incremental First Lien Term Loan (the "Incremental First Lien") in the principal amount of $735.0 million. As of December 31, 2016, the First Lien had an outstanding balance of:

	For the Year Ended December 31,	
	2016	
Incremental First Lien Term Loan	$	720,300
Unamortized deferred financing costs		(25,869)
Unamortized original issue discounts		(19,571)
Net Incremental First Lien Term Loan		674,860
Current portion of Incremental First Lien Term Loan		14,700
Incremental First Lien Term Loan - long term	$	660,160

The Incremental First Lien matures seven years from issuance, was issued at a price of 97.0% of par (subject to the payment of an additional upfront fee of 1.0% on February 28, 2016 under certain circumstances), bears interest at a rate of LIBOR plus 5.0% per annum, subject to a LIBOR floor of 1.0% per annum, or at an alternate rate with a spread of 4.0%,

subject to a floor of 2.0% per annum, and has scheduled principal payments equal to 0.50% of the original principal per quarter, or $3.7 million, starting September 30, 2016.

The Incremental First Lien automatically bears interest at the bank's reference rate unless the Company gives notice to opt for LIBOR-based interest rate term loans. Interest is payable on maturity of the elected interest period for a LIBOR-based interest loan, which can be one, two, three or 6 months. Interest is payable at the end of each fiscal quarter for a reference rate loan term loan.

During the year ended December 31, 2016, the Company made $14.7 million in mandatory and voluntary prepayments against the Incremental First Lien.

Revolving Credit Facilities

The Company had an existing credit facility of $125.0 million (the "Prior Revolver") which originated in November 2013 and had a maturity date of December 22, 2016. The Company could elect to draw down against the Prior Revolver using a LIBOR-rate interest loan or an alternate base interest loan. The interest rate for an alternate rate base revolver loan was 5.25% per annum plus the greater of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR rate or 2.25%. The interest rate for a LIBOR based revolver loan was 6.25% per annum plus the greater of the LIBOR rate or 1.50%. There was also a non-refundable fee (the "commitment fee"), equal to 0.50% of the daily unused principal amount of the revolver payable in arrears on the last day of each fiscal quarter. As of December 31, 2015, the balance outstanding under the Prior Revolver was $67.0 million, consisting of a loan of $59.0 million which bore interest at a LIBOR-based rate of 7.75% and a loan of $8.0 million which bore interest at an alternate rate of 8.50%.

As a result of the Refinancing, the Company entered into a new revolving facility (the "Current Revolver"), which increased the Company's available revolving credit to $165.0 million. The Current Revolver has a "springing" maturity date of August 10, 2019 unless the First Lien has been repaid in full or otherwise extended to at least 91 days after the maturity of the Current Revolver. As of December 31, 2016, the Company did not have any balances outstanding under the Current Revolver, and the full amount of the facility, or $165.0 million, was unused and available.

The Company has the ability to draw down against the Current Revolver using a LIBOR-based interest loan or an alternate based interest loan. LIBOR-based interest revolver loans bear interest at a rate of LIBOR plus 4.0% per annum (subject to a leverage-based step-down), without a LIBOR floor. Alternate base interest revolver loans bear interest at the alternate rate plus 3.0% (subject to a leverage-based step down), without an alternate rate floor. There is also a non-refundable commitment fee, equal to 0.50% of the daily unused principal amount (subject to a leverage-based step down), 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 LIBOR-based interest loan, which can be one, two, three or 6 months. Interest is payable at the end of each fiscal quarter for a reference rate revolver loan.

Senior Notes

On February 9, 2016, EIG Investors issued $350.0 million aggregate principal amount of Senior Notes (the "Notes"). The Notes will mature on February 1, 2024, were issued at a price of 98.065% of par and bear interest at the rate of 10.875% per annum. The Notes have been fully and unconditionally guaranteed, on a senior unsecured basis, by the Company and its subsidiaries that guarantee the Senior Credit Facilities (including Constant Contact and certain of its subsidiaries). As of December 31, 2016, the Senior Notes had an outstanding balance of:

	For the Year Ended December 31,	
	2016	
Senior Notes	$	350,000
Unamortized deferred financing costs		(17,238)
Unamortized original issue discounts		(6,282)
Net Senior Notes		326,480
Current portion of Senior Notes		—
Senior Notes - long term	$	326,480

Interest on the 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 Notes, as required under the registration rights agreement we entered into with the initial purchasers of the Notes. All of the $350.0 million aggregate principal amount of the original notes was validly tendered for exchange as part of this exchange offer.

Presentation of Debt Issuance Costs

The Company adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" beginning on January 1, 2016, and retrospectively for all periods presented. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Unamortized balances of deferred financing costs relating to the First Lien, and unamortized balances of deferred financing costs and of original issue discounts relating to the Incremental Term Lien and the Notes are presented as a reduction of the notes payable in our consolidated balance sheets. The unamortized value of deferred financing costs associated with our revolving credit facility were not affected by the ASU and continue to be presented as an asset on the Company's consolidated balance sheets.

Maturity of Notes Payable

The maturity of the notes payable at December 31, 2016 is as follows:

	First Lien, Incremental First Lien, and Notes
	(in thousands)
2017	$ 35,700
2018	35,700
2019	958,575
2020	14,700
2021	14,700
Thereafter	996,800
Total	$ 2,056,175

Interest

The Company recorded $57.4 million, $58.8 million, and $152.9 million in interest expense for the years ended December 31, 2014, 2015 and 2016, respectively.

The following table provides a summary of loan interest rates incurred and interest expense for the years ended December 31, 2014, 2015 and 2016:

	For the Year Ended December 31,		
	2014	2015	2016
	(dollars in thousands)		
Interest rate—LIBOR	5.00%-7.75%	5.00%-7.75%	4.49%-7.75%
Interest rate—reference	8.50%	8.50%	6.75%-8.75%
Interest rate—Notes	—%	—%	10.875%
Non-refundable fee—unused facility	0.50%	0.50%	0.50%
Interest expense and service fees	$ 56,247	$ 56,760	$ 140,470
Amortization of deferred financing fees	$ 83	$ 82	$ 6,073
Amortization of original issue discounts	$ —	$ —	$ 2,970
Amortization of net present value of deferred consideration	$ 183	$ 1,264	$ 2,617
Other interest expense	$ 901	$ 722	$ 758
Total interest expense	$ 57,414	$ 58,828	$ 152,888

Debt Covenants

The First Lien and Incremental First Lien (collectively, the "Senior Credit Facilities") require that the Company complies with a financial covenant to maintain a maximum ratio of consolidated senior secured indebtedness to Bank Adjusted EBITDA (as defined in the credit agreement). Please see "*Management's Discussion and Analysis*" for further discussion of Bank Adjusted EBITDA and this covenant.

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. 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. The Company was in compliance with all covenants at December 31, 2016.

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.

10. Stockholders' Equity

Preferred Stock

The Company has 5,000,000 shares of authorized preferred stock, par value $0.0001. There were no preferred shares issued or outstanding as of December 31, 2015 and 2016.

Common Stock

The Company has 500,000,000 shares of authorized common stock, par value $0.0001.

Voting Rights

All holders of common stock are entitled to one vote per share.

11. Stock-Based Compensation

The Company follows the provisions of ASC 718, *Compensation—Stock Compensation* ("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 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.

The Company elected to early adopt Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting,* in the fourth quarter of fiscal year 2016 which requires it to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of excess tax benefits in the consolidated statements of cash flows. The impact of the early adoption resulted in the following:

- Due to the Company's net shortfall position upon the time of adoption, the new standard resulted in additional tax expense in our provision for income taxes rather than paid-in capital of $0.9 million for the year ended December 31, 2016. The Company's beginning retained earnings was not impacted by the early adoption as the Company had a full valuation allowance against the U.S. deferred tax assets as of December 31, 2015.

- As a result of prior guidance that required excess tax benefits reduce taxes payable prior to recognition as an increase in paid in capital, the Company had not recognized certain deferred tax assets (loss carryforwards) that could be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting. As of January 1, 2016, the Company had generated federal and state net operating loss carryforwards due to excess tax benefits of $1.5 million and $0.7 million, respectively.

- The Company elected to eliminate the forfeiture rate and adopted the new policy to account for forfeitures in the period that they are incurred, and applied this policy on a modified retrospective basis. The impact of eliminating the forfeiture rate increased the stock compensation recorded in 2016 by $0.9 million, which included an immaterial prior period adjustment that the Company recorded through the consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

2012 Restricted Stock Awards

Unless otherwise determined by the Company's board of directors, stock-based awards granted prior to the IPO generally vested over a four-year period or had vesting that was dependent on the achievement of specified performance targets. The fair value of these stock-based awards was determined as of the grant date of each award using an option-pricing model and assuming no pre-vesting forfeiture of the awards.

Given the absence of an active trading market for the Company's common stock prior to the completion of its IPO, the fair value of the equity interests underlying stock-based awards was determined by the Company's management. In doing so, valuation analyses were prepared in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation,* and were used by the Company's management to assist in determining the fair value of the equity interests underlying its stock-based awards. Each equity interest was granted with a "threshold amount" meaning that the recipient of an equity security only participated to the extent that the Company appreciated in value from and after the date of grant of the equity interest (with the value of the entity as of the grant date being the "threshold amount"). The assumptions used in the valuation models were based on future expectations combined with management's judgment. In the absence of a public trading market, the Company's management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of the stock-based awards as of the date of each award. These factors included:

- contemporaneous or retrospective valuations for the Company and its securities;
- the rights, preferences, and privileges of the stock-based awards relative to each other as well as to the existing shareholders;
- lack of marketability of the Company's equity securities;
- historical operating and financial performance;
- the Company's stage of development;
- current business conditions and projections;
- hiring of key personnel and the experience of the Company's management team;
- risks inherent to the development of the Company's products and services and delivery of its solutions;
- trends and developments in the Company's industry;

- the threshold amount for the stock-based awards and the values at which the stock-based awards would vest;
- the market performance of comparable publicly traded companies;
- likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of the Company given prevailing market conditions; and
- U.S. and global economic and capital market conditions.

Form 10-K

The Company completed its IPO in October 2013, and determined that the performance targets associated with the performance-based stock awards were met in full and consequently the performance-based stock awards would be fully vested. However, effective prior to the first day of public trading of the Company's common stock, the Company accelerated the vesting of 2,167,870 shares of common stock issued in respect of the time-based stock awards and modified the vesting of 3,574,637 shares issued in respect of the performance-based stock awards so that 2,580,271 shares of common stock were fully vested and 994,366 shares of common stock will follow the same vesting schedule as the time-based stock awards that were granted on the same date as such performance-based stock awards.

The following tables present a summary of the 2012 restricted stock awards activity for the year ended December 31, 2016 for restricted stock awards that were granted prior to the Company's IPO:

	2012 Restricted Stock Awards
Non-Vested at December 31, 2015	46,645
Forfeitures	—
Vested	(46,645)
Non-Vested at December 31, 2016	—

In connection with the IPO the Company granted restricted stock units under the prior equity plan. The following table provides a summary of the restricted stock units that were granted in connection with the IPO under this plan and the non-vested balance as of December 31, 2016:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2015	22,158	$ 12.00
Vested	(22,158)	$ 12.00
Non-vested at December 31, 2016	—	$ —

2013 Stock Incentive Plan

The Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") of the Company became effective upon the closing of our IPO. The 2013 Plan of the Company 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 advisors 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, 2016, 16,964,969 shares were available for grant under the 2013 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 four years 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 Stock Incentive Plan during the years ended December 31, 2014, 2015 and 2016 are as follows:

	2014	2015	2016
Risk-free interest rate	2.1%	1.8%	1.6%
Expected volatility	58.3%	56.1%	53.1%
Expected life (in years)	6.25	6.25	6.25
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 volatility data 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, 2016 and the stock option activity for all stock options granted under the 2013 Plan during the year ended December 31, 2016 (dollars in thousands except exercise price):

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value(3)
Outstanding at December 31, 2015	6,950,858	$ 13.83		
Granted	3,575,851	$ 10.96		
Exercised	—	$ —		
Forfeited	(595,364)	$ 13.56		
Canceled	(323,914)	$ 13.41		
Outstanding at December 31, 2016	9,607,431	$ 12.79	8.0	$ 205
Exercisable as of December 31, 2016	4,435,261	$ 13.15	7.1	$ —
Expected to vest after December 31, 2016(1)	5,172,170	$ 12.49	8.7	$ 205
Exercisable as of December 31, 2016 and expected to vest thereafter (2)	9,607,431	$ 12.79	8.0	$ 205

(1) This represents the number of unvested options outstanding as of December 31, 2016 that are expected to vest in the future.

(2) This represents the number of vested options as of December 31, 2016 plus the number of unvested options outstanding as of December 31, 2016 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, 2016 of $9.30 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 awards granted under the 2013 Plan generally vest annually over a four-year period. 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 performance criteria are weighted and have threshold, target and maximum performance goals. The following table provides a summary of the Company's restricted stock award activity for the 2013 Plan during the year ended December 31, 2016:

	Restricted Stock Awards		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2015	4,849,290	$	15.24
Granted	3,355,341	$	10.36
Vested	(613,751)	$	13.84
Canceled	(258,343)	$	12.75
Non-vested at December 31, 2016	7,332,537	$	13.21

Unless otherwise determined by the Company's board of directors, restricted stock units granted under the 2013 Plan generally vest monthly over a four-year period. The following table provides a summary of the Company's restricted stock unit activity for the 2013 Plan during the year ended December 31, 2016:

	Restricted Stock Units		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2015	220,765	$	12.00
Vested and unissued	(120,396)	$	12.00
Non-vested at December 31, 2016	100,369	$	12.00

2015 Performance Based Award

The performance-based award granted to the Company's chief executive officer during the year ended December 31, 2015 provides an opportunity for the participant to earn a fully vested right to up to 3,693,754 shares of the Company's common stock (collectively, the "Award Shares") over a three-year period beginning July 1, 2015 and ending on June 30, 2018 (the "Performance Period"). Award shares may be earned based on the Company achieving pre-established, threshold, target and maximum performance metrics.

Award Shares may be earned during each calendar quarter during the Performance Period (each, a "Performance Quarter") if the Company achieves a threshold, target or maximum level of the performance metric for the Performance Quarter. If the performance metric is less than the threshold level for a Performance Quarter, no Award Shares will be earned during the Performance Quarter. Award Shares that were not earned during a Performance Quarter may be earned later during the then current twelve-month period from July 1st to June 30th during the Performance Period (each, a "Performance Year"), at a threshold, target or maximum level of the performance metric for the Performance Year. For the fourth quarter of 2016, 184,115 Award Shares were earned for the Performance Quarter ending December 31, 2016 because a performance level between the threshold and target for the performance metric was met. An aggregate total of 1,003,600 Award Shares were earned during the year ended December 31, 2016.

Any Award Shares that are earned during the Performance Period will vest on June 30, 2018, provided the chief executive officer is employed by the Company on such date. The requirement that the chief executive officer be employed by the Company on June 30, 2018 is waived in the event the executive's employment is terminated due to death, disability or by the Company without cause, if the executive terminates employment with the Company for good reason, or if the executive is employed by the Company on the date of a change in control (as such terms are defined in the executive's employment agreement). Upon the occurrence of any of the foregoing events, additional Award Shares may be earned, as provided for in the performance-based restricted stock agreement.

This performance-based award is evaluated quarterly to determine the probability of its vesting and determine the amount of stock-based compensation to be recognized. During the year ended December 31, 2016, the Company recognized $6.8 million of stock-based compensation expense related to the performance-based award.

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") and Chief Administrative Officer ("CAO").

The CFO performance-based restricted stock award provided an opportunity to earn a fully vested right to up to 223,214 shares of the Company's common stock, with a target of 178,571 shares. The COO performance-based restricted stock award provided an opportunity to earn a fully vested right to up to 260,416 shares of the Company's common stock, with a target of 208,333 shares. The CAO performance based restricted stock award provided an opportunity to earn a fully vested right to up to 148,810 shares of the Company's common stock, with a target of 119,048 shares.

The shares subject to the performance-based restricted stock awards will be earned based on the Company's email marketing segment achieving a pre-established level of adjusted revenue (weighted 50%), adjusted EBITDA (weighted 25%) and adjusted free cash flow (weighted 25%), each as defined in the award agreement and in each case for the twelve months ending December 31, 2016, assuming for this purpose that the Company's acquisition of Constant Contact had taken place on January 1, 2016 (the "Performance Metric").

As of December 31, 2016, the maximum level of the Performance Metric was met and upon Board approval, each executive will earn the maximum number of shares subject to their award. These earned shares will vest 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.

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 ("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 will be 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, 2016, there were 9,278,088 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 will be recognized in the Company's consolidated statements of operations and comprehensive loss over the vesting period of the awards.

For stock options issued under the 2011 Plan, the fair value of each option is estimated on the date of grant, and an estimated forfeiture rate is used when calculating stock-based compensation expense for the period. Unless otherwise approved by the Company's board of directors, stock options typically vest over four years 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. The weighted-average assumptions used to compute stock-based compensation expense for awards granted under the 2011 Stock Incentive Plan during the year ended December 31, 2016 are as follows:

	2016
Risk-free interest rate	1.27%
Expected volatility	53.1%
Expected life (in years)	4.75
Expected dividend yield	—

The following table provides a summary of the Company's stock options as of December 31, 2016 and the stock option activity for all stock options granted under the 2011 Plan during the year ended December 31, 2016 :

Form 10-K

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value(3) (In thousands)
Outstanding at December 31, 2015	—	$ —		
Granted/Exchanged	3,002,887	$ 8.28		
Exercised	(396,486)	$ 6.47		
Canceled	(674,571)	$ 8.07		
Outstanding at December 31, 2016	1,931,830	$ 8.73	5.1	2,606
Exercisable as of December 31, 2016	529,472	$ 7.12	3.7	1,316
Expected to vest after December 31, 2016(1)	1,123,921	$ 9.28	5.6	1,099
Exercisable as of December 31, 2016 and expected to vest thereafter(2)	1,653,393	$ 8.59	5.0	2,415

(1) This represents the number of unvested options outstanding as of December 31, 2016 that are expected to vest in the future.
(2) This represents the number of vested options as of December 31, 2016 plus the number of unvested options outstanding as of December 31, 2016 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, 2016 of $9.30 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 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, 2016:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2015	—	—
Granted	3,154,897	$ 8.49
Vested	(1,266,771)	$ 7.69
Canceled	(414,471)	$ 8.26
Non-vested at December 31, 2016	1,473,655	$ 9.25

2016 Award Obligations

At December 31, 2016, stock based compensation expense included $0.7 million of equity award obligations that the Company has agreed to issue in 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 loss for the year ended December 31, 2016. This amount was included in accrued expenses at year end, and will be reclassified against additional paid in capital upon issuance of the shares.

All Plans

The following table presents total stock-based compensation expense recorded in the consolidated statement of operations and comprehensive loss for all 2012 restricted stock awards and units issued prior to the Company’s IPO in October 2013 and all awards granted under the 2013 Plan in connection with or subsequent to the IPO:

	For the Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
Cost of revenue	$ 547	$ 1,975	$ 5,855
Sales and marketing	1,585	3,285	8,702
Engineering and development	883	1,988	5,989
General and administrative	13,028	22,677	37,721
Total operating expense	$ 16,043	$ 29,925	$ 58,267

The Company recognized tax benefit related to stock compensation expense of $4.6 million, $9.3 million, and $19.2 million, for the years ended December 31, 2014, 2015, and 2016.

As of December 31, 2016 the Company has approximately $29.5 million of unrecognized stock-based compensation expense related to option awards that will be recognized over 2.4 years and approximately $40.6 million of unrecognized stock-based compensation expense related to restricted stock awards to be recognized that will be recognized over 2.0 years for the 2013 Stock Incentive Plan.

As of December 31, 2016 the Company has approximately $5.0 million of unrecognized stock-based compensation expense related to option awards that will be recognized over 2.7 years and approximately $10.3 million of unrecognized stock-based compensation expense related to restricted stock awards to be recognized that will be recognized over 2.6 years for the 2011 Stock Incentive Plan.

12. Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
		(in thousands)	
Balance at December 31, 2014	(517)	—	(517)
Other comprehensive income (loss)	(1,281)	80	(1,201)
Balance at December 31, 2015	$ (1,798)	$ 80	$ (1,718)
Other comprehensive income (loss)	(597)	(1,351)	(1,948)
Balance at December 31, 2016	$ (2,395)	$ (1,271)	$ (3,666)

13. Redeemable Non-Controlling Interest

2014 Non-controlling interest

In connection with a 2013 equity investment in JDI Backup Ltd., where the Company acquired a controlling interest, the agreement provided for a put option for the then non-controlling interest (“NCI”) shareholders to put the remaining equity interest to the Company within pre-specified put periods. As the NCI was subject to a put option that was outside the control of the Company, it was deemed a redeemable non-controlling interest and not recorded in permanent equity, and was presented as mezzanine redeemable non-controlling interest on the consolidated balance sheet, and was subject to the guidance of the Securities and Exchange Commission (“SEC”) under ASC 480-10-S99, *Accounting for Redeemable Equity Securities.*

The difference between the $20.8 million initial fair value of the redeemable non-controlling interest and the value that was expected to be paid upon exercise of the put option was being accreted over the period commencing December 11, 2013 and up to the end of the first put option period, which commenced on the 18-month anniversary of the acquisition date. Adjustments to the carrying amount of the redeemable non-controlling interest were charged to additional paid-in capital.

Non-controlling interest arising from the application of the consolidation rules was classified within total stockholders' equity with any adjustments charged to net loss attributable to non-controlling interest in a consolidated subsidiary in the consolidated statement of operations and comprehensive loss.

During the year ended December 31, 2014, the Company paid $4.2 million to increase its investment in JDI Backup Ltd. and entered into an amendment to the put option with the NCI shareholders. During the year ended December 31, 2014, due to the Company's assessment of the financial performance and forecasted profitability of JDI Backup Ltd., the Company changed its estimate of the expected exercise amount of the put option. The change in estimate resulted in the fair value of the put option increasing to $30.5 million as of December 31, 2014.

On January 13, 2015, the Company entered into an agreement to acquire the remaining interests owned by the NCI shareholders for $30.5 million, which was originally payable in three equal installments on January 13, 2015, June 15, 2015 and September 15, 2015. During the year ended December 31, 2015, the Company entered into amendments to change the dates of the second installment from June 15, 2015 to April 10, 2015 and the date of the third installment from September 15, 2015 to July 2, 2015. The Company will continue to consolidate JDI Backup Ltd. for financial reporting purposes, however, because the Company now owns 100.0% of JDI Backup Ltd., commencing on January 13, 2015, the Company no longer records a non-controlling interest in the consolidated statement of operations and comprehensive loss.

2016 Non-controlling interest

In connection with a 2014 equity investment in WZ UK, on January 6, 2016, the Company exercised its option to increase its stake in WZ UK from 49.0% to 57.5%, thereby acquiring a controlling interest, in exchange for a payment of approximately $2.1 million to the other shareholders of WZ UK. The agreement related to the transaction provides for a put option for the then NCI shareholders to put the remaining equity interest to the Company within pre-specified put periods. As the NCI is subject to a put option that is outside the control of the Company, it is deemed a redeemable non-controlling interest and is not recorded in permanent equity, and is presented as mezzanine redeemable non-controlling interest on the consolidated balance sheet, and is subject to the guidance of the Securities and Exchange Commission ("SEC") under ASC 480-10-S99, *Accounting for Redeemable Equity Securities.* The difference between the $10.8 million fair value of the redeemable NCI and the $30.0 million value that is expected to be paid upon exercise of the put option was being accreted over the period commencing January 6, 2016 and up to the first put option period, which commenced on the 24 months anniversary of the acquisition date, August 14, 2016. Adjustments to the carrying amount of the redeemable non-controlling interest were charged to additional paid-in capital.

In January 2016, the Company obtained a controlling interest in Resume Labs Limited for $1.5 million and Pseudio Limited for $1.5 million.

The agreements related to these transactions provide for put options for the NCI shareholders of each company to put the remaining equity interest to the Company within pre-specified put periods. As the NCI for these entities were subject to put options that are outside the control of the Company, they were deemed redeemable non-controlling interests and were also not recorded in permanent equity, and were presented as part of the mezzanine redeemable non-controlling interest on the consolidated balance sheet.

On May 16, 2016, the Company amended the put option with respect to WZ UK to allow it to acquire an additional equity interest in WZ UK earlier than August 2016. Pursuant to this amended option, on the same date the Company acquired an additional 20.0% stake in WZ UK for $15.4 million, thus increasing its ownership interest from 57.5% to 77.5%.

On July 13, 2016, WZ UK completed a restructuring pursuant to which Pseudio Limited and Resume Labs became wholly owned subsidiaries of WZ UK. As a result of the restructuring, WZ UK became the 100.0% owner of Pseudio Limited and Resume Labs Limited and the Company's ownership of WZ UK was diluted from 77.5% to 76.4%. Immediately subsequent to the restructuring, the Company acquired an additional 10.0% stake in WZ UK on July 13, 2016 for $18.0 million, bringing the Company's aggregate stake in WZ UK to 86.4%. The restructuring significantly reduced the amount of the potential redemption amount payable to the minority shareholders of WZ UK, and gave the Company the flexibility to reduce investments in this business. Based on these reduced investments, and 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 is below the expected redemption amount of $25.0 million, which resulted in $14.2 million of excess accretion that reduces 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 during the year ended December 31, 2016, which is reflected in net loss attributable to accretion of non-controlling interest in the Company's

consolidated statements of operations and comprehensive loss. Prior to the third quarter of 2016, the Company did not have any accretion amounts in excess of fair value.

The following table presents changes in this redeemable non-controlling interest:

	Redeemable noncontrolling Interest (in thousands)
Balance as of December 31, 2015	$ —
Additions to non-controlling interest upon acquisition	12,790
Capital contribution from non-controlling interest	1,775
Accretion to redemption value	30,844
Accretion in excess of fair value	6,769
Adjustment to non-controlling interest	(1,000)
Redemption of non-controlling interest	(33,425)
Balance as of December 31, 2016	$ 17,753

The Company starts accreting non-controlling interest to its redeemable value from the date the redemption of the noncontrolling interest becomes probable through the earliest redemption date. If the non-controlling interest is redeemable at an amount higher than its fair value, the excess accretion is taken into consideration in the calculation of loss per share.

14. Income Taxes

The Company accounts for income taxes in accordance with authoritative guidance, which requires the use of the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based upon the difference between the consolidated financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply in the years in which the differences are expected to be reversed.

The domestic and foreign components of income (loss) before income taxes for the periods presented:

	Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
United States	$ (17,002)	$ 1,258	$ (137,197)
Foreign	(27,603)	(1,046)	(52,593)
Total income (loss) before income taxes	$ (44,605)	$ 212	$ (189,790)

The components of the provision (benefit) for income taxes consisted of the following:

	Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
Current:			
U.S. federal	$ 781	$ 1,827	$ 328
State	183	696	744
Foreign	1,582	1,699	2,312
Total current provision	2,546	4,222	3,384
Deferred:			
U.S. federal	(581)	(1,103)	(44,447)
State	(3,983)	1,952	(6,225)
Foreign	(5,310)	(818)	(10,037)
Change in valuation allowance	13,514	7,089	(52,533)
Total deferred provision	3,640	7,120	(113,242)
Total expense (benefit)	$ 6,186	$ 11,342	$ (109,858)

The Company established a valuation allowance on substantially all of its deferred tax assets during the year ended December 31, 2013. The benefit had been reduced after the establishment of the valuation allowance by the deferred tax expense associated with the tax amortization of assets that have an indefinite life for U.S. GAAP purposes. The Company maintained a valuation allowance against certain U.S. deferred tax assets until the acquisition of Constant Contact. The acquisition of Constant Contact resulted in a significant increase in deferred tax liabilities, which far exceeded deferred tax assets. The Company scheduled out the reversal of the consolidated U.S. deferred tax assets and liabilities as of March 31, 2016, and determined that these reversals would be sufficient to realize most domestic deferred tax assets. The deferred tax liabilities, supporting the realizability of these deferred tax assets will reverse in the same period, are in the same jurisdiction and are of the same character as the temporary differences that gave rise to these deferred tax assets. As a result, the Company recorded a deferred tax benefit to reverse the valuation allowances during the year ended December 31, 2016. The Company recorded a valuation allowance against the majority of the state research and development tax credits and state investment tax credits, a portion of state operating loss credit carryforwards, federal and state capital loss carryforwards, and federal research credits which the Company projected to expire prior to utilization.

The following table presents a reconciliation of the statutory federal rate, and the Company's effective tax rate, for the periods presented:

	Year Ended December 31,		
	2014	2015	2016
U.S. federal taxes at statutory rate	34.0 %	34.0%	35.0%
State income taxes, net of federal benefit	5.9	685.0	0.9
Nondeductible stock-based compensation	(2.5)	827.3	(1.5)
Nondeductible transaction costs	(1.0)	856.5	(2.9)
Nontaxable gain on redemption of equity interest	—	(674.9)	—
Other foreign permanent differences	(2.5)	187.8	(0.4)
Credits	0.6	—	3.7
Foreign rate differential	(11.7)	299.7	(4.6)
Change in valuation allowance—U.S.	(23.2)	3,398.6	31.2
Change in valuation allowance—foreign	(7.0)	(130.8)	(4.1)
Rate change	(1.1)	216.5	0.4
Prior year true-up stock-based compensation—U.S.	(2.0)	(132.8)	—
Other	(3.4)	(217.5)	(0.5)
Total	(13.9)%	5,349.4%	57.2%

The provision (benefit) for income taxes shown on the consolidated statements of operations differs from amounts that would result from applying the statutory tax rates to income before taxes primarily because of the release of the valuation allowance on U.S. deferred tax assets, state income taxes, the impact of changes in state apportionment, jurisdiction mix of earnings, nondeductible expenses, as well as the application of valuation allowances against foreign deferred tax assets.

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	As of December 31,	
	2015	2016
Deferred income tax assets:		
Net operating loss carry forward	$ 43,698	$ 76,060
Credit carryforward	2,190	28,271
Other	6,612	5,414
Deferred compensation	497	364
Deferred revenue	21,327	26,291
Other reserves	4,895	3,545
Stock-based compensation	13,221	25,424
Total deferred income tax assets	92,440	165,369
Deferred income tax liabilities:		
Purchased intangible assets	(11,098)	(119,719)
Goodwill	(26,062)	(37,099)
Property and equipment	(8,361)	(12,403)
Total deferred income tax liabilities	(45,521)	(169,221)
Valuation allowance	(75,705)	(36,091)
Net deferred income tax liabilities	$ (28,786)	$ (39,943)

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.

The Company files income tax returns in the United States for federal income taxes and in various state jurisdictions. The Company also files in several foreign jurisdictions. 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 is currently under audit in India for fiscal years ended March 31, 2014 and 2015 and Israel for the fiscal years ended December 31, 2012, 2013 and 2014. The Company does not expect material changes as a result of the audits.

The statute of limitations in the Company's other tax jurisdictions, the United Kingdom and Brazil, remains open for various periods between 2011 and the present. However, carryforward attributes from prior years may still be adjusted upon examination by tax authorities if they are used in an open period.

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 no unrecognized tax positions at December 31, 2015 and December 31, 2016 that would affect its effective tax rate. The Company does not expect a significant change in the liability for unrecognized tax benefits in the next 12 months.

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, 2016;
- 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.

Prior to the acquisition of Constant Contact, the Company maintained a valuation allowance against certain deferred tax assets. The acquisition of Constant Contact resulted in a significant increase in deferred tax liabilities, which far exceeded pre-acquisition deferred tax assets. The Company, with the significant deferred tax liabilities resulting from the acquisition, scheduled out the reversal of the consolidated U.S. deferred tax assets and liabilities as of March 31, 2016, and determined that these reversals would be sufficient to realize most domestic deferred tax assets. The deferred tax liabilities supporting the realizability of these deferred tax assets in the acquisition will reverse in the same period, are in the same jurisdiction and are of the same character as the temporary differences that gave rise to these deferred tax assets. The Company maintained a valuation allowance on the acquired Massachusetts research and development tax credits and limited life investment tax credit carryforwards and a portion of the acquired Colorado and Utah operating loss carryforwards. The Company maintained its valuation allowance on the several of the legacy state net operating loss carryforwards expected to expire unused as a result of the scheduling analysis. As a result, the Company recorded a tax benefit of $70.6 million to reverse valuation allowances during the year ended December 31, 2016. The Company performed a deferred scheduling analysis as of December 31, 2016, and as a result recorded a valuation allowance against $7.8 million of federal research credits, $1.2 million of federal and state capital loss carryforwards, and $1.0 million of additional state net operating losses, which resulted in Company recording an increase in tax expense of $10.0 million related to the increase in the U.S. valuation allowance.

The Company assessed its ability to realize its foreign deferred tax assets as of December 31, 2016 and determined that, it was more likely than not that the Company would not realize $13.1 million of net deferred tax assets in the United Kingdom, $2.5 million of net deferred tax assets in the Netherlands, $0.8 million of net deferred tax assets in India, $0.5 million of net deferred tax assets in Israel, $0.1 million of net deferred tax assets in China.

For the years ended December 31, 2014, 2015 and 2016, the Company has recognized a tax expense (benefit) of $6.2 million, $11.3 million and $(109.9) million, respectively, in the consolidated statements of operations and comprehensive loss. The income tax expense for the year ended December 31, 2016 is primarily attributable to a provision for federal and state current income taxes of $1.1 million, foreign current tax expense of $2.3 million, federal and state deferred tax benefit of $111.2 million and attributable to the $70.6 million release of valuation allowance and $40.6 million of deferred tax benefit related to an increase in deferred tax assets, and foreign deferred benefit of $2.0 million related to the reductions of deferred liabilities created in purchase accounting.

The income tax expense for the year ended December 31, 2015 is primarily attributable to a provision for federal and state current income taxes of $2.5 million, foreign current tax expense of $1.7 million, federal and state deferred tax expense of $0.8 million and attributable to a $7.1 million increase in the valuation allowance, partially offset by a foreign deferred benefit of $0.8 million related to the reductions of deferred liabilities created in purchase accounting.

The income tax expense for the year ended December 31, 2014 was primarily attributable to a provision for foreign taxes of $1.8 million, including $0.2 million of withholding taxes, and U.S. alternative minimum taxes of $0.5 million and $0.2 million of state taxes. The remaining balance of $3.6 million for the year ended December 31, 2014 was primarily attributable to an increase in U.S. deferred tax liabilities due to the differences in the accounting treatment of goodwill under U.S. GAAP and the tax accounting treatment for goodwill of $5.8 million of U.S. federal and state deferred taxes, partially offset by a foreign deferred benefit of $2.2 million related to the reductions of deferred liabilities created in purchase accounting.

As of December 31, 2016, the Company had NOL carry-forwards available to offset future U.S. federal taxable income of approximately $142.7 million and future state taxable income of approximately $125.6 million. These NOL carry-forwards expire on various dates through 2036.

As of December 31, 2016, the Company had NOL carry-forwards in foreign jurisdictions available to offset future foreign taxable income by approximately $96.8 million. The Company has loss carry-forwards that begin to expire in 2021 in India totaling $2.5 million and in China totaling $0.3 million. The Company has loss carry-forwards that begin to expire in 2020 in the Netherlands totaling $10.7 million. The Company also has loss carry-forwards in the United Kingdom, Israel and Singapore of $81.1 million, $1.9 million, and $0.3 million, respectively, which have an indefinite carry-forward period.

In addition, the Company has $3.4 million of U.S. federal capital loss carry-forwards and $1.4 million in state capital loss-forwards, generally expiring through 2021. As of December 31, 2016, the Company had U.S. tax credit carryforwards

available to offset future U.S. federal and state taxes of approximately $20.3 million and $12.2 million, respectively. These credit carryforwards expire on various dates through 2036.

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 limitations of $77.1 million against the balance of NOL carry-forwards generated prior to the change in control in 2011. Through December 31, 2013, the Company accumulated the unused amount of Section 382 limitations in excess of the amount of NOL carry-forwards that were originally subject to limitation. Therefore, these unused NOL carry-forwards are available for future use to offset taxable income. The Company has completed an analysis of changes in its ownership from 2011, through its IPO, to December 31, 2013. The Company concluded that there was not a Section 382 ownership change during this period and therefore any NOLs generated through December 31, 2013, are not subject to any new Section 382 annual limitations on NOL carry-forwards. On November 20, 2014, the Company completed a follow-on offering of 13,000,000 shares of common stock. The underwriters also exercised their overallotment option to purchase an additional 1,950,000 shares of common stock from the selling stockholders. The Company performed an analysis of the impact of this offering and determined that no Section 382 change in ownership had occurred.

On March 11, 2015, the Company closed a follow-on offering of its common stock, in which selling stockholders sold 12,000,000 shares of common stock at a public offering price of $19.00 per share. The underwriter also exercised its overallotment option to purchase an additional 1,800,000 shares of common stock from the selling stockholders. The Company completed an analysis of its ownership changes in the first half of 2016, which resulted in no ownership-change for tax purposes within the meaning of the Internal Revenue Code Section 382(g).

As of the date of the Company's acquisition of Constant Contact, Constant Contact had approximately $60.2 million and $32.4 million of federal and state NOLs, respectively, and approximately $10.9 million of U.S. federal research and development credits and $9.2 million of state credits. These losses and credits are not subject to limitation under Internal Revenue Code Sections 382 and 383.

As a result, all unused NOL carry-forwards at December 31, 2016 are available for future use to offset taxable income.

Permanent Reinvestment of Foreign Earnings

As of December 31, 2016, the cumulative amount of undistributed earnings of our foreign subsidiaries amounted to $7.9 million. We have not provided U.S. taxes on these undistributed earnings of our foreign subsidiaries that we consider indefinitely reinvested. Our indefinite reinvestment determination is based on the future operational and capital requirements of our domestic and foreign operations. We expect the cash held by our foreign subsidiaries of $14.1 million will continue to be used for our foreign operations and therefore do not anticipate repatriating these funds.

Except for Subpart F income, the Company has not provided taxes for the remaining $7.9 million of undistributed earnings of its foreign subsidiaries because we plan to keep these amounts permanently reinvested overseas except for instances where we 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.

Adoption of ASU 2016-09

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 intends to simplify various aspects of how share-based payments are accounted for and presented in the financial statements. The main provisions include: all tax effects related to stock awards will now be recorded through the income statement instead of through equity, all tax-related cash flows resulting from stock awards will be reported as operating activities on the cash flow statement, and entities can make an accounting policy election to either estimate forfeitures or account for forfeitures as they occur. The amendments in ASU 2016-09, required to be updated for all annual periods and interim reporting periods beginning after December 15, 2016, were adopted early by the Company in the fourth quarter of 2016 and were applied to its related consolidated financial statements on a prospective basis. The adoption of these amendments had an impact of $0.9 million on the consolidated statement of operations and comprehensive loss through December 31, 2016 due to the reclassification of shortfalls from additional paid in

capital. The Company also elected to account for forfeitures as they occur with no adjustment for estimated forfeitures, which had an impact of $0.9 million to the Company's consolidated statement of operations and comprehensive loss.

As previously mentioned, as a result of prior guidance that required excess tax benefits reduce taxes payable prior to recognition as an increase in paid in capital, the Company had not recognized certain deferred tax assets (loss carryforwards) that could be attributed to tax deductions related to equity compensation in excess of compensation recognized for financial reporting. As of January 1, 2016, the Company had generated U.S. federal and state net operating loss carryforwards due to excess tax benefits of $1.5 million and $0.7 million, respectively.

15. Severance and Other Exit Costs

In connection with acquisitions, the Company may evaluate its data center, sales and marketing, support and engineering operations and the general and administrative function in an effort to eliminate redundant costs. As a result, the Company may incur charges for employee severance, exiting facilities and restructuring data center commitments and other related costs.

2014 Restructuring Plan

During the year ended December 31, 2014, the Company implemented plans to further integrate and consolidate its data center, support and engineering operations, resulting in severance and facility exit costs. The severance charges were associated with eliminating approximately 90 positions across primarily support, engineering operations and sales and marketing. The Company incurred severance costs of $2.3 million in the year ended December 31, 2014 related to these restructuring activities. The employee-related charges associated with these restructurings were completed during the year ended December 31, 2014. As of December 31, 2016, the Company did not have any remaining accrued employee severance related to these severance costs.

The Company had incurred facility costs associated with closing offices in Redwood City, California and Englewood, Colorado. At the time of closing these offices, the Company had remaining lease obligations of approximately $3.0 million for these vacated facilities through March 31, 2018. The Company recorded a facilities charge for these future lease payments, less expected sublease income, of $2.1 million during the year ended December 31, 2014. During the year ended December 31, 2015 the Company recorded an adjustment of $0.6 million as a result of entering an agreement for an early buyout of the lease agreement for the Englewood, Colorado facility. During the year ended December 31, 2016, the Company recorded a true-up adjustment of $0.2 million. The Company paid $1.0 million of facility costs and received sublease income of $0.6 million related to the 2014 Restructuring Plan during the year ended December 31, 2016, and had a remaining accrued facility liability of $0.3 million as of December 31, 2016. The Company expects payments related to the 2014 Restructuring Plan to be completed during the year ended December 31, 2018.

2015 Restructuring Plan

During the year ended December 31, 2015, the Company implemented plans to enhance operational efficiencies across the business, resulting in severance costs (the "2015 Restructuring Plan"). The severance charges were associated with eliminating approximately 67 positions across the business. The Company incurred severance costs of $2.1 million during the year ended December 31, 2015 related to the 2015 Restructuring Plan. The Company completed employee-related charges associated with the 2015 Restructuring Plans during the year ended December 31, 2015. The Company paid $1.2 million of severance costs during the year ended December 31, 2016 and did not have any remaining severance liability accrued as of December 31, 2016. Payments related to the 2015 Restructuring Plan have been completed during the year ended December 31, 2016.

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 severance costs of $11.7 million during the year ended December 31, 2016. The Company paid $10.2 million of severance costs during the year ended December 31, 2016 and had a remaining accrued severance liability of $1.6 million as of December 31, 2016.

The Company’s 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, 2016, the Company recorded a facilities charge for future lease payments of $23.6 million, less expected sublease income of $12.0 million. The Company also recorded $0.7 million in relocation charges during the year ended December 31, 2016 after closing these facilities. The Company paid $3.6 million of facility costs related to the 2016 Restructuring Plan during the year ended December 31, 2016 and had a remaining accrued facility liability of $8.7 million as of December 31, 2016.

The Company does not expect any additional employee-related charges associated with the 2016 Restructuring Plan after December 31, 2016, and expects severance payments related to the 2016 Restructuring Plan to be completed during the year ended December 31, 2017. The Company expects to complete facility-related charges associated with the 2016 Restructuring Plan during the year ended December 31, 2016, and expects to complete facility exit cost payments related to the plan during the year ended December 31, 2022.

The following table provides a summary of the aggregate activity for the year ended December 31, 2016 related to the Company’s combined Restructuring Plans severance accrual for each reporting segment:

	Severance (in thousands)		
	Web presence segment	**Email marketing segment**	**Total**
Balance at December 31, 2015	$ 1,201	$ —	$ 1,201
Severance Charges	1,596	10,113	$ 11,709
Cash Paid	(2,164)	(9,187)	$ (11,351)
Balance at December 31, 2016	$ 633	$ 926	$ 1,559

The following table provides a summary of the aggregate activity for the year ended December 31, 2016 related to the Company’s combined Restructuring Plans facilities exit accrual for each reporting segment:

	Facility (in thousands)		
	Web presence segment	Email marketing segment	Total
Balance at December 31, 2015	$ 479	$ —	$ 479
Facility charges, net of estimated sublease income	445	12,070	12,515
Sublease income received	596	—	596
Cash paid	(1,247)	(3,323)	(4,570)
Balance at December 31, 2016	$ 273	$ 8,747	$ 9,020

The following table presents restructuring charges recorded in the consolidated statement of operations and comprehensive loss for the periods presented:

	For the Year Ended December 31,		
	2014	2015	2016
	(in thousands)		
Cost of revenue	$ 2,349	$ (45)	$ 8,986
Sales and marketing	301	555	6,550
Engineering and development	960	636	4,288
General and administrative	850	343	4,400
Total severance charges	$ 4,460	$ 1,489	$ 24,224

16. Commitments and Contingencies

Operating Leases

The Company has operating lease commitments for certain facilities and equipment that expire on various dates through 2026. The following table outlines future minimum annual rental payments under these leases at December 31, 2016:

Year Ending December 31,	Amount
	(in thousands)
2017	20,058
2018	18,367
2019	17,457
2020	17,120
2021	14,074
Thereafter	27,779
Total minimum lease payments	$ 114,855

Total net rent expense incurred under non-cancellable operating leases for the years ended December 31, 2014, 2015 and 2016, were $9.8 million, $8.2 million and $20.0 million, respectively. Total sublease income for the years ended 2015 and 2016 was $0.2 million, and $0.4 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. Neither the ultimate outcome of the matters listed below nor an estimate of any probable losses or any reasonably possible losses can be assessed at this time.

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 chief executive officer and former chief financial officer, Machado v. Endurance International Group Holdings, Inc., et al, Civil Action No. 1:15-cv-11775-GAO. In a second amended complaint, filed on March 18, 2016, the plaintiff alleged claims for violations of Section 10(b) and 20(a) of the Exchange Act, on behalf of a purported class of purchasers of the Company’s securities between February 25, 2014 and February 29, 2016. Those claims challenged as false or misleading certain of the Company’s disclosures about its total number of subscribers, average revenue per subscriber, the number of customers paying over $500 per year for the Company’s products and services, the average number of products sold per subscriber, and customer churn. The plaintiff seeks, on behalf of himself and the purported class, compensatory damages and his costs and expenses of litigation. The Company filed a motion to dismiss on May 16, 2016, which remains pending. In August 2016, the parties in the Machado action and another potential claimant, who asserts that he purchased common stock in the Company’s initial public offering, agreed to toll, as of July 1, 2016, the statutes of limitation and repose for all claims under the Securities Act of 1933 that the plaintiff and claimant might bring, individually or in a representative capacity, arising from alleged actions or omissions between September 9, 2013 and

February 29, 2016. The Company and the individual defendants intend to deny any liability or wrongdoing and to vigorously defend all claims asserted. The Company cannot, however, make any assurances as to the outcome of the current proceeding or any additional claims if they are brought.

The Company received a subpoena dated December 10, 2015 from the Boston Regional Office of the SEC, requiring the production of certain documents, including, among other things, documents related to its financial reporting, including operating and non-GAAP metrics, refund, sales and marketing practices and transactions with related parties. The Company is fully cooperating with the SEC's investigation. The Company can make no assurances as to the time or resources that will need to be devoted to this investigation or its final outcome, or the impact, if any, of this investigation or any related legal or regulatory proceedings on the Company's business, financial condition, results of operations and cash flows.

Constant Contact

On October 30, 2015, the Company entered into a definitive agreement pursuant to which it agreed to acquire all of the outstanding shares of common stock of Constant Contact. The acquisition closed on February 9, 2016. Constant Contact contingencies are noted below.

On December 10, 2015, Constant Contact received a subpoena from the Boston Regional Office of the SEC, requiring the production of documents pertaining to Constant Contact's sales, marketing, and customer retention practices, as well as periodic public disclosure of financial and operating metrics. The Company is fully cooperating with the SEC's investigation. The Company can make no assurances as to the time or resources that will need to be devoted to this investigation or its final outcome, or the impact, if any, of this investigation or any related legal or regulatory proceedings on the Company's business, financial condition, results of operations and cash flows.

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 nondisclosure 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. This litigation remains in its early stages. The Company and the individual defendants intend to vigorously defend all claims asserted. The Company cannot, however, make any assurances as to the outcome of this proceeding.

In August 2012, RPost Holdings, Inc., RPost Communications Limited and RMail Limited, or collectively, RPost, filed a complaint in the United States District Court for the Eastern District of Texas that named Constant Contact as a defendant in a lawsuit. The complaint alleged that certain elements of Constant Contact's email marketing technology infringe five patents held by RPost. RPost seeks an award for damages in an unspecified amount and injunctive relief. In February 2013, RPost amended its complaint to name five of Constant Contact's marketing partners as defendants. Under Constant Contact's contractual agreements with these marketing partners, it is obligated to indemnify them for claims related to patent infringement. Constant Contact filed a motion to sever and stay the claims against its partners and multiple motions to dismiss the claims against it. In January 2014, the case was stayed pending the resolution of certain state court and bankruptcy actions involving RPost, to which Constant Contact is not a party. The case continues to be stayed pending the state court and bankruptcy actions. Meanwhile, RPost asserted the same patents asserted against Constant Contact in litigation against Go Daddy. In June 2016, Go Daddy succeeded in invalidating all of those RPost patents. RPost has appealed, and the appellate court is expected to hear oral argument on the appeal in the Spring of 2017. The litigation against Constant Contact remains stayed, and is in its early stages. The Company believes it has meritorious defenses to any claim of infringement and intends to defend against the lawsuit vigorously.

On December 11, 2015, a putative class action lawsuit relating to the Constant Contact acquisition, captioned Irfan Chawdry, Individually and On Behalf of All Others Similarly Situated v. Gail Goodman, et al. Case No. 11797, and on December 21, 2015, a putative class action lawsuit relating to the acquisition captioned David V. Myers, Individually and On Behalf of All Others Similarly Situated v. Gail Goodman, et al. Case No. 11828 (together , the "Complaints") were filed in the Court of Chancery of the State of Delaware naming Constant Contact, each of Constant Contact's directors, Endurance and Paintbrush Acquisition Corporation as defendants. The Complaints generally alleged, among other things, that in connection with the acquisition the directors of Constant Contact breached their fiduciary duties owed to the stockholders of Constant Contact by agreeing to sell Constant Contact for purportedly inadequate consideration, engaging in a flawed sales process, omitting material information necessary for stockholders to make an informed vote, and agreeing to a number of purportedly preclusive deal protection devices. The Complaints sought, among other things, to rescind the acquisition, as well as award of plaintiffs' attorneys' fees and costs in the action. The Complaints were consolidated on January 12, 2016. On December 5,

2016, plaintiff Myers filed a consolidated amended complaint (the "Amended Complaint") naming as defendants the former Constant Contact directors and Morgan Stanley & Co. LLC ("Morgan Stanley"), Constant Contact's financial adviser for the acquisition, alleging breach of fiduciary duty by the former directors, and aiding and abetting the alleged breach by Morgan Stanley. On December 15, 2016, the Constant Contact defendants filed a motion to dismiss. On February 14, 2017, the court approved a briefing schedule for the motion, with defendants' opening brief due March 17, 2017. The defendants believe the claims asserted in the Amended Complaint are without merit and intend to defend against them vigorously.

17. 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 $18,000 in 2016, 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 2014, 2015 and 2016 plan years were approximately $2.2 million, $2.5 million, $5.7 million respectively.

In connection with an acquisition in 2011, the Company assumed a defined contribution plan established under Section 401(k) of the Internal Revenue Code (the "Dotster 401(k) Plan"), in which employees were eligible to participate upon the date of hire. Under the Dotster 401(k) Plan, the Company matched 100% of each participant's annual contribution to the Dotster 401(k) Plan up to 3% of each participant's salary and then 50% of each participant's annual contribution to the Dotster 401(k) Plan up to 2% of each participant's salary. The match immediately vested 100%. A matching contribution by the Company related to the 2013 plan year in the amount of $0.4 million was made to the Dotster 401(k) Plan. The Dotster 401(k) plan merged with the Company's 401(k) plan during the year ended December 31, 2014.

In connection with the HostGator acquisition in 2012, the Company assumed a defined contribution plan established under Section 401(k) of the Internal Revenue Code (the "HostGator 401(k) Plan"), in which employees were eligible to participate on the date of hire. Under the HostGator 401(k) Plan, the Company matched 25% of each participant's annual contribution up to 4% of each participant's salary, vesting 100% after three years of service. A matching contribution by the Company related to the 2013 plan year in the amount of $0.1 million was made to the HostGator 401(k) Plan. The HostGator 401(k) plan merged with the Company's 401(k) plan during the year ended December 31, 2014.

18. Variable Interest Entity

The Company, through a subsidiary formed in China, has entered into various agreements with Shanghai Xiao Lan Network Technology Co., Ltd ("Shanghai Xiao") and its shareholders that allow the Company to effectively control Shanghai Xiao, making it a variable interest entity ("VIE"). Shanghai Xiao has a technology license that allows it to provide local hosting services to customers located in China.

The shareholders of Shanghai Xiao cannot transfer their equity interests without the approval of the Company, and as a result, are considered de facto agents of the Company in accordance with ASC 810-10-25-43. The Company and its de facto agents acting together have the power to direct the activities that most significantly impact the entity's economic performance and they have the obligation to absorb losses and the right to receive benefits from the entity. In situations where a de facto agency relationship is present, one party is required to be identified as the primary beneficiary. The factors considered include the presence of a principal/agent relationship, the relationship and significance of activities to the reporting entity, the variability associated with the VIE's anticipated economics and the design of the VIE. The analysis is qualitative in nature and is based on weighting the relative importance on each of the factors in relation to the specifics of the VIE arrangement. Upon the execution of the agreements with Shanghai Xiao and its shareholders, the Company performed an analysis and concluded that the Company is the party that is most closely associated with Shanghai Xiao, as it is the most exposed to the variability of the VIE's economics and therefore is the primary beneficiary of the VIE.

As of December 31, 2016, the financial position and results of operations of Shanghai Xiao are consolidated within, but are not material to, the Company's consolidated financial position or results of operations.

19. 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, 2014, 2015 and 2016.

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. These entities are owned directly or indirectly by family members of the Company's chief executive officer, who is also a director and stockholder of the Company.

The following table includes the amounts of related party transactions recorded in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2014, 2015 and 2016 relating to services provided by Tregaron and its affiliates under these agreements:

	For the Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
Cost of revenue	$ 7,300	$ 10,200	$ 12,200
Sales and marketing	500	700	500
Engineering and development	1,700	1,100	1,300
General and administrative	900	300	300
Total related party transaction expense	$ 10,400	$ 12,300	$ 14,300

As of December 31, 2015, and 2016 approximately $1.9 million and $1.3 million, respectively, was included in accounts payable and accrued expense relating to services provided by Tregaron.

Innovative Business Services, LLC:

The Company also has agreements with Innovative Business Services, LLC ("IBS"), which provides multi-layered third-party security applications that are sold by the Company. IBS is indirectly majority owned by the Company's chief executive officer and a director of the Company, each of whom are also stockholders of the Company. During the year ended December 31, 2014, the Company's principal agreement with this entity was amended which resulted in the accounting treatment of expenses being recorded against revenue.

The following table includes the revised amounts of related party transactions recorded in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2014, 2015 and 2016 relating to services provided by IBS under these agreements:

	For the Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
Revenue	$ (400)	$ (1,300)	$ (3,100)
Revenue (contra)	600	7,000	7,500
Total related party transaction impact to revenue	$ 200	$ 5,700	$ 4,400
Cost of revenue	4,600	600	700
Total related party transaction expense, net	$ 4,800	$ 6,300	$ 5,100

As of December 31, 2015 and 2016, approximately $0.2 million and $0.2 million, respectively, was included in prepaid expenses and other current assets relating to the Company's agreements with IBS.

As of December 31, 2015 and 2016, approximately $1.1 million and $1.1 million, respectively was included in accounts payable and accrued expense relating to the Company’s agreements with IBS.

As of December 31, 2015 and 2016, approximately $0.3 million and $0.6 million, respectively, was included in accounts receivable relating to the Company’s agreements with IBS.

Goldman, Sachs & Co.

The Company entered into a three year interest rate cap on December 9, 2015 with a subsidiary of Goldman Sachs & Co. ("Goldman Sachs"). Goldman Sachs is a significant shareholder of the Company. Refer to *Note 4: Fair Value Measurements,* for further details in the consolidated financial statements.

In connection with and concurrently with the acquisition of Constant Contact in February 2016, the Company entered into the $735.0 million incremental first lien term loan facility and the $165.0 million revolving credit facility, and EIG Investors Corp. issued Notes in the aggregate principal amount of $350.0 million. An affiliate of Goldman Sachs provided loans in the aggregate principal amount of $312.4 million under the incremental first lien term loan facility and a commitment in the aggregate principal amount of $57.6 million under the revolving credit facility, and Goldman Sachs acted as a book-running manager in the Company’s offering of the Notes and purchased approximately $148.8 million worth of the Notes. The foregoing financing arrangements were provided in accordance with a commitment letter the Company entered into with an affiliate of Goldman Sachs and certain other investment banks in November 2015. Refer to *Note 9: Notes Payable*, for further details.

Goldman Sachs also served as a financial advisor in connection with the acquisition of Constant Contact and during the year ended December 31, 2016, the Company paid approximately $8.6 million to Goldman Sachs in connection with these services.

In connection with the issuance of the Notes, the Company agreed to assist the initial purchasers, including Goldman Sachs, in marketing the Notes. Through December 31, 2016, the Company incurred expenses on behalf of the initial purchasers of approximately $0.8 million.

A subsidiary of Goldman Sachs is also the counterparty to our interest rate cap, for which the Company paid $3.0 million to the counterparty as a premium during the year ended December 31, 2016. No further premiums are payable under this interest rate cap.

20. 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. The Company's Chief Executive Officer is the Company's chief operating decision maker.

On February 9, 2016, the Company acquired Constant Contact. The Company evaluated the criteria in ASC 280-10-50-11 contemporaneously with its acquisition of Constant Contact, which closed on February 9, 2016. Based on the Company's original evaluation, the Company believed that it met the qualitative aggregation criteria in ASC 280-10-50-11, and that the economic characteristics of the Constant Contact and legacy businesses were similar. In particular, at the time of this evaluation, the Company expected that the gross margin of Constant Contact and its legacy business would be similar. However, beginning with the second quarter of 2016, the Company recognized that the legacy business did not meet expectations and as such resulted in lower legacy gross margin than originally anticipated, which continued into the third and fourth quarter. As such, during the Company's annual assessment of segments, and due to the resulting 2016 legacy performance, the Company determined it had two reportable segments:

- *Email marketing*, which includes the products and services acquired as part of the Constant Contact acquisition in February 2016. The services included in this segment are primarily email marketing, and to a lesser extent, event marketing, survey tools and the Single Platform digital storefront product.

- *Web presence*, which consists of all of the Company's web hosting and related services such as domain names, website security, website design tools and services, ecommerce services and other services and tools to expand the online presence of a small business.

The Company measures profitably of these segments based on revenue, gross profit, and adjusted EBITDA.

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 year ended December 31, 2016:

	Web presence	Email marketing	Total
		(in thousands)	
Revenue	$ 784,334	$ 326,808	$ 1,111,142
Gross profit	$ 353,988	$ 173,163	$ 527,151
Adjusted EBITDA	$ 172,135	$ 116,261	$ 288,396
Less:			
Interest expense, net (including impact of amortization of deferred financing costs and original issuance discount)			152,312
Income tax expense (benefit)			(109,858)
Depreciation			60,360
Amortization of other intangible assets			143,562
Stock-based compensation			58,267
Restructuring expenses			24,224
Transaction expenses and charges			32,284
Gain of unconsolidated entities			(565)
Impairment of other long lived assets			9,039
Net loss			$ (81,229)
Total assets	$ 1,507,977	$ 1,248,297	$ 2,756,274
Depreciation expense	$ 36,613	$ 23,747	$ 60,360
Amortization expense	$ 78,883	$ 64,679	$ 143,562

Prior to 2016 and prior to the acquisition of Constant Contact, the Company reported as one single reporting segment.

21. Subsequent Events

In January 2017, the Company announced its plans to close certain facilities as part of a plan to consolidate certain web presence customer support operations. As a result of this plan, the Company expects to incur approximately $8.0 million in charges during fiscal year 2017, mostly related to severance.

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

Form 10-K

22. Geographic and Other Information

Revenue, classified by the major geographic areas in which our customers are located, was as follows:

	Year Ended December 31,		
	2014	2015	2016
		(in thousands)	
United States	$ 409,765	$ 465,446	$ 787,915
International	220,080	275,869	323,227
Total	$ 629,845	$ 741,315	$ 1,111,142

The following table presents the amount of tangible long-lived assets by geographic area:

	2015	2016
	(in thousands)	
United States	$ 72,025	$ 89,147
International	3,737	6,125
Total	$ 75,762	$ 95,272

The Company's revenues are 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 revenues through domain monetization and marketing development funds. Non-subscription revenues increased from $28.3 million, or 4% of total revenue for the year ended December 31, 2014 to $52.5 million, or 7% of revenue for the year ended December 31, 2015, and decreased to $39.4 million, or 4% of total revenue for the year ended December 31, 2016. Substantially all of the Company's non-subscription revenues are included in its web presence 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 U.S.

23. Quarterly Financial Data (unaudited)

The following table presents the Company's unaudited quarterly financial data:

	For the three months ended							
	March 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	March 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016
	(in thousands, except per share data)							
Revenue	$ 177,318	$ 182,431	$ 188,523	$ 193,043	$ 237,113	$ 290,713	$ 291,193	$ 292,123
Gross profit	$ 76,344	$ 77,494	$ 77,750	$ 84,692	$ 100,637	$ 137,636	$ 141,766	$ 147,112
Income (loss) from operations	$ 17,199	$ 12,548	$ 9,113	$ 14,326	$ (66,311)	$ (6,168)	$ 8,879	$ 24,260
Net income (loss) attributable to Endurance International Group Holdings, Inc.	$ 884	$ (2,071)	$ (15,351)	$ (9,232)	$ 21,811	$ (28,040)	$ (31,737)	$ (34,865)
Basic net income (loss) per share attributable to Endurance International Group Holdings, Inc.	$ 0.01	$ (0.02)	$ (0.12)	$ (0.07)	$ 0.17	$ (0.21)	$ (0.24)	$ (0.26)
Diluted net income (loss) per share attributable to Endurance International Group Holdings, Inc.	$ 0.01	$ (0.02)	$ (0.12)	$ (0.07)	$ 0.16	$ (0.21)	$ (0.24)	$ (0.26)

On February 9, 2016, the Company acquired Constant Contact for $1.1 billion. As such, financial results reflected above were materially impacted by this acquisition. Revenue and gross profit increases throughout 2016 are primarily driven by this acquisition. The loss from operations has also been impacted by the Constant Contact acquisition due to the $31.1 million of transaction costs incurred in the first quarter of 2016, and higher operating expenses from Constant Contact, including $22.4 million of restructuring costs incurred throughout 2016, of which, $11.6 million was incurred during the first quarter. Net income (loss) was impacted by all of the factors previously noted, and a $94.1 million increase in interest expense for all of 2016 as well as a $109.9 million tax benefit recorded during 2016. The tax benefit was primarily related to the reduction of valuation allowances on deferred tax assets which occurred during the first quarter of 2016, partially offset by increased valuation allowances of $10.0 million during the fourth quarter of 2016.

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 (the "Original Notes") (refer to *Note 9: Notes Payables,* in the consolidated financial statements), which it expects to exchange for new 10.875% Senior Notes due 2024 (the "Exchange Notes" and together with the Original Notes, collectively, the "Notes") pursuant to a registration statement on Form S-4. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company, 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, Constant Contact, Inc., and SinglePlatform, LLC, (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 Notes.

The Company sold two immaterial guarantors, CardStar, Inc. and CardStar Publishing, LLC (collectively, "CardStar"), during the quarter ended December 31, 2016. CardStar was released and discharged from the guarantee as a result of the sale and no longer guarantees the debt of the Company as of December 1, 2016. Proceeds from the sale of CardStar were approximately $0.1 million.

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, 2015 and December 31, 2016, and supplemental condensed consolidating results of operations and cash flow information for the years ended December 31, 2014, 2015 and 2016:

Condensed Consolidating Balance Sheets
December 31, 2015
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash and cash equivalents	$ 12	$ 67	$ 21,286	$ 11,665	—	$ 33,030
Restricted cash	—	—	973	75	—	1,048
Accounts receivable	—	—	7,120	4,920	—	12,040
Prepaid domain name registry fees	—	—	29,250	26,878	(335)	55,793
Prepaid expenses & other current assets	—	62	9,722	8,263	(2,372)	15,675
Total current assets	12	129	68,351	51,801	(2,707)	117,586
Intercompany receivables, net	29,092	(10,324)	91,938	(110,706)	—	—
Property and equipment, net	—	—	66,011	9,751	—	75,762
Goodwill	—	—	1,072,838	134,417	—	1,207,255
Other intangible assets, net	—	—	328,922	30,864	—	359,786
Investment in subsidiaries	150,164	1,260,399	38,819	—	(1,449,382)	—
Other assets	—	3,130	34,151	4,830	—	42,111
Total assets	$ 179,268	$ 1,253,334	$ 1,701,030	$ 120,957	$ (1,452,089)	$ 1,802,500
Liabilities, redeemable non-controlling interest and stockholders' equity						
Current liabilities:						
Accounts payable	$ —	$ 3,769	$ 7,269	$ 1,242	—	$ 12,280
Accrued expenses and other current liabilities	—	7,016	38,092	12,106	(2,372)	54,842
Deferred revenue	—	—	230,396	56,290	(741)	285,945
Current portion of notes payable	—	77,500	—	—	—	77,500
Current portion of capital lease obligations	—	—	5,866	—	—	5,866
Deferred consideration, short-term	—	—	50,840	648	—	51,488
Total current liabilities	—	88,285	332,463	70,286	(3,113)	487,921
Deferred revenue, long-term	—	—	71,982	7,700	—	79,682
Notes payable	—	1,014,885	—	—	—	1,014,885
Capital lease obligations	—	—	7,215	—	—	7,215
Deferred consideration	—	—	—	813	—	813
Other long-term liabilities	—	—	28,970	3,340	—	32,310
Total liabilities	—	1,103,170	440,630	82,139	(3,113)	1,622,826
Redeemable non-controlling interest	—	—	—	—	—	—
Equity	179,268	150,164	1,260,400	38,818	(1,448,976)	179,674
Total liabilities and equity	$ 179,268	$ 1,253,334	$ 1,701,030	$ 120,957	$ (1,452,089)	$ 1,802,500

Condensed Consolidating Balance Sheets
December 31, 2016
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash and cash equivalents	$ 3	$ 4	$ 39,034	$ 14,555	$ —	$ 53,596
Restricted cash	—	—	2,620	682	—	3,302
Accounts receivable	—	—	10,148	2,940	—	13,088
Prepaid domain name registry fees	—	—	31,044	24,697	(297)	55,444
Prepaid expenses & other current assets	—	81	17,996	10,601	—	28,678
Total current assets	3	85	100,842	53,475	(297)	154,108
Intercompany receivables, net	31,665	799,953	(690,761)	(140,857)	—	—
Property and equipment, net	—	—	82,901	12,371	—	95,272
Goodwill	—	—	1,683,121	176,788	—	1,859,909
Other intangible assets, net	—	—	592,095	19,962	—	612,057
Investment in subsidiaries	92,068	1,299,562	40,651	—	(1,432,281)	—
Other assets	—	5,911	23,153	5,864	—	34,928
Total assets	$ 123,736	$ 2,105,511	$ 1,832,002	$ 127,603	$ (1,432,578)	$ 2,756,274
Liabilities, redeemable non-controlling interest and stockholders' equity:						
Current liabilities:						
Accounts payable	$ —	$ —	$ 13,801	$ 2,273	$ —	$ 16,074
Accrued expenses and other current liabilities	—	27,208	60,760	9,890	—	97,858
Deferred revenue	—	—	295,208	60,925	(943)	355,190
Current portion of notes payable	—	35,700	—	—	—	35,700
Current portion of capital lease obligations	—	—	6,690	—	—	6,690
Deferred consideration, short-term	—	—	4,415	858	—	5,273
Total current liabilities	—	62,908	380,874	73,946	(943)	516,785
Deferred revenue, long-term	—	—	77,649	11,551	—	89,200
Notes payable	—	1,951,280	—	—	—	1,951,280
Capital lease obligations	—	—	512	—	—	512
Deferred consideration	—	—	7,419	25	—	7,444
Other long-term liabilities	—	(745)	48,233	1,429	—	48,917
Total liabilities	—	2,013,443	514,687	86,951	(943)	2,614,138
Redeemable non-controlling interest	—	—	17,753	—	—	17,753
Equity	123,736	92,068	1,299,562	40,652	(1,431,635)	124,383
Total liabilities and equity	$ 123,736	$ 2,105,511	$ 1,832,002	$ 127,603	$ (1,432,578)	$ 2,756,274

Condensed Consolidating Statements of Operations and Comprehensive Loss
Year Ended December 31, 2014
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 559,434	$ 70,990	$ (579)	$ 629,845
Cost of revenue	—	—	327,225	54,500	(237)	381,488
Gross profit	—	—	232,209	16,490	(342)	248,357
Operating expense:						
Sales & marketing	—	—	114,367	32,607	(177)	146,797
Engineering and development	—	—	16,805	2,744	—	19,549
General and administrative	—	232	61,291	8,010	—	69,533
Total operating expense	—	232	192,463	43,361	(177)	235,879
Income (loss) from operations	—	(232)	39,746	(26,871)	(165)	12,478
Interest expense, net	—	56,330	829	(76)	—	57,083
Income (loss) before income taxes and equity earnings of unconsolidated entities	—	(56,562)	38,917	(26,795)	(165)	(44,605)
Income tax expense (benefit)	—	6,163	613	(590)	—	6,186
Loss before equity earnings of unconsolidated entities	—	(62,725)	38,304	(26,205)	(165)	(50,791)
Equity loss of unconsolidated entities, net of tax	42,835	(19,890)	26,500	—	(49,384)	61
Net loss	(42,835)	(42,835)	11,804	(26,205)	49,219	(50,852)
Net loss attributable to non-controlling interest	—	—	(8,017)	—	—	(8,017)
Net loss attributable to Endurance	$ (42,835)	$ (42,835)	$ 19,821	$ (26,205)	$ 49,219	$ (42,835)
Comprehensive loss						
Foreign currency translation adjustments	—	—	—	(462)	—	(462)
Total comprehensive loss	$ (42,835)	$ (42,835)	$ 19,821	$ (26,667)	$ 49,219	$ (43,297)

Form 10-K

Condensed Consolidating Statements of Operations and Comprehensive Loss
Year Ended December 31, 2015
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 628,266	$ 113,766	$ (717)	$ 741,315
Cost of revenue	—	—	349,059	77,177	(1,201)	425,035
Gross profit	—	—	279,207	36,589	484	316,280
Operating expense:						
Sales & marketing	—	—	120,637	24,815	(33)	145,419
Engineering and development	—	—	23,019	3,688	—	26,707
General and administrative	—	177	80,548	10,132	111	90,968
Total operating expense	—	177	224,204	38,635	78	263,094
Income (loss) from operations	—	(177)	55,003	(2,046)	406	53,186
Interest expense and other income, net	—	56,843	(3,554)	(315)	—	52,974
Income (loss) before income taxes and equity earnings of unconsolidated entities	—	(57,020)	58,557	(1,731)	406	212
Income tax expense (benefit)	—	10,320	331	691	—	11,342
Loss before equity earnings of unconsolidated entities	—	(67,340)	58,226	(2,422)	406	(11,130)
Equity loss of unconsolidated entities, net of tax	26,176	(41,164)	17,063	—	12,565	14,640
Net loss	(26,176)	(26,176)	41,163	(2,422)	(12,159)	(25,770)
Net loss attributable to non-controlling interest	—	—	—	—	—	—
Net loss attributable to Endurance	$ (26,176)	$ (26,176)	$ 41,163	$ (2,422)	$ (12,159)	$ (25,770)
Comprehensive loss						—
Foreign currency translation adjustments	—	—	—	(1,281)	—	(1,281)
Unrealized gain on cash flow hedge	—	80	—	—	—	80
Total comprehensive loss	$ (26,176)	$ (26,096)	$ 41,163	$ (3,703)	$ (12,159)	$ (26,971)

Condensed Consolidating Statements of Operations and Comprehensive Loss
Year Ended December 31, 2016
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 978,690	$ 133,274	$ (822)	$ 1,111,142
Cost of revenue	—	—	496,267	88,753	(1,029)	583,991
Gross profit	—	—	482,423	44,521	207	527,151
Operating expense:						
Sales and marketing	—	—	235,988	67,556	(33)	303,511
Engineering and development	—	—	72,922	14,679	—	87,601
General and administrative	—	242	128,337	14,516	—	143,095
Transaction expenses	—	—	32,284	—	—	32,284
Total operating expense	—	242	469,531	96,751	(33)	566,491
Income (loss) from operations	—	(242)	12,892	(52,230)	240	(39,340)
Interest expense and other income —net	—	149,512	(3,606)	4,544	—	150,450
Income (loss) before income taxes and equity earnings of unconsolidated entities	—	(149,754)	16,498	(56,774)	240	(189,790)
Income tax expense (benefit)	—	(53,847)	(55,953)	(58)	—	(109,858)
Loss before equity earnings of unconsolidated entities	—	(95,907)	72,451	(56,716)	240	(79,932)
Equity loss of unconsolidated entities, net of tax	73,071	(22,837)	58,014	297	(107,248)	1,297
Net loss	$ (73,071)	$ (73,070)	$ 14,437	$ (57,013)	$ 107,488	$ (81,229)
Net loss attributable to non-controlling interest	—	—	(8,398)	—	—	(8,398)
Net loss attributable to Endurance International Group Holdings, Inc.	(73,071)	(73,070)	22,835	(57,013)	107,488	(72,831)
Comprehensive loss:						—
Foreign currency translation adjustments	—	—	—	(597)	—	(597)
Unrealized gain (loss) on cash flow hedge		(1,351)	—	—	—	(1,351)
Total comprehensive loss	$ (73,071)	$ (74,421)	$ 22,835	$ (57,610)	$ 107,488	$ (74,779)

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2014
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ (1)	$ (63,853)	$ 215,212	$ (8,465)	—	$ 142,893
Cash flows from investing activities:						
Businesses acquired in purchase transaction, net of cash acquired	—	—	(69,578)	(24,120)	—	(93,698)
Purchases of property and equipment	—	—	(22,850)	(1,054)	—	(23,904)
Cash paid for minority investments	—	—	(34,140)	—	—	(34,140)
Proceeds from sale of property and equipment	—	—	39	55	—	94
Proceeds from sale of assets	—	—	100	—	—	100
Purchases of intangible assets	—	—	(200)	—	—	(200)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	—	—	191	242	—	433
Net cash used in investing activities	—	—	(126,438)	(24,877)	—	(151,315)
Cash flows from financing activities:						
Proceeds from issuance of notes payable and draws on revolver	—	150,000	—	—	—	150,000
Repayment of notes payable and revolver	—	(110,500)	—	—	—	(110,500)
Payment of financing costs	—	(53)	—	—	—	(53)
Payment of deferred consideration	—	—	(41,244)	(57,074)	—	(98,318)
Payment of redeemable non-controlling interest liability	—	—	(4,190)	—	—	(4,190)
Principal payments on capital lease obligations	—	—	(3,608)	—	—	(3,608)
Proceeds from exercise of stock options	137	—	—	—	—	137
Proceeds from issuance of common stock	43,500	—	—	—	—	43,500
Issuance costs of common stock	(2,904)	—	—	—	—	(2,904)
Intercompany loans and investments	(40,731)	(7,126)	(46,073)	93,930	—	—
Net cash provided by (used in) financing activities	2	32,321	(95,115)	36,856	—	(25,936)
Net effect of exchange rate on cash and cash equivalents	—	—	—	(78)	—	(78)
Net increase (decrease) in cash and cash equivalents	1	(31,532)	(6,341)	3,436	—	(34,436)
Cash and cash equivalents:						
Beginning of period	—	35,879	25,043	5,893	—	$ 66,815
End of period	$ 1	$ 4,347	$ 18,702	$ 9,329	$ —	$ 32,379

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2015
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 2	$ (50,147)	$ 220,468	6,905	—	$ 177,228
Cash flows from investing activities:						
Businesses acquired in purchase transaction, net of cash acquired	—	—	(92,376)	(5,419)	—	(97,795)
Purchases of property and equipment	—	—	(28,058)	(3,185)	—	(31,243)
Cash paid for minority investments	—	—	(8,475)	—	—	(8,475)
Proceeds from sale of property and equipment	—	—	51	42	—	93
Proceeds from note receivable	—	—	3,454	—	—	3,454
Proceeds from sale of assets	—	—	191	—	—	191
Purchases of intangible assets	—	—	(76)	—	—	(76)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	—	—	(296)	346	—	50
Net cash used in investing activities	—	—	(125,585)	(8,216)	—	(133,801)
Cash flows from financing activities:						
Proceeds from issuance of notes payable and draws on revolver	—	147,000	—	—	—	147,000
Repayment of notes payable and revolver	—	(140,500)	—	—	—	(140,500)
Payment of financing costs	—	—	—	—	—	—
Payment of deferred consideration	—	—	(14,503)	(488)	—	(14,991)
Payment of redeemable non-controlling interest liability	—	—	(30,543)	—	—	(30,543)
Principal payments on capital lease obligations	—	—	(4,822)	—	—	(4,822)
Proceeds from exercise of stock options	2,224	—	—	—	—	2,224
Intercompany loans and investments	(2,215)	39,367	(42,431)	5,279	—	—
Net cash provided by (used in) financing activities	9	45,867	(92,299)	4,791	—	(41,632)
Net effect of exchange rate on cash and cash equivalents	—	—	—	(1,144)	—	(1,144)
Net increase (decrease) in cash and cash equivalents	11	(4,280)	2,584	2,336	—	651
Cash and cash equivalents:						
Beginning of period	1	4,347	18,702	9,329	—	32,379
End of period	$ 12	$ 67	$ 21,286	$ 11,665	$ —	$ 33,030

Form 10-K

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2016
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities		$ (71,204)	$ 256,461	(30,296)		$ 154,961
Cash flows from investing activities:	—	—	—	—	—	
Businesses acquired in purchase transaction, net of cash acquired	—	—	(889,634)	—	—	(889,634)
Purchases of property and equipment	—	—	(32,528)	(4,731)	—	(37,259)
Cash paid for minority investments	—	—	(5,600)	—	—	(5,600)
Proceeds from sale of property and equipment	—	—	674	2	—	676
Proceeds from note receivable	—	—	—	—	—	—
Proceeds from sale of assets	—	—	—	—	—	—
Purchases of intangible assets	—	—	(7)	(20)	—	(27)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	—	—	(347)	(210)	—	(557)
Net cash used in investing activities	—	—	(927,442)	(4,959)	—	(932,401)
Cash flows from financing activities:						
Proceeds from issuance of notes payable and draws on revolver	—	1,110,678	—	—	—	1,110,678
Repayment of notes payable and revolver	—	(176,700)	—	—	—	(176,700)
Payment of financing costs	—	(52,561)	—	—	—	(52,561)
Payment of deferred consideration	—	—	(50,375)	(669)	—	(51,044)
Payment of redeemable non-controlling interest liability	—	—	(33,425)	—	—	(33,425)
Principal payments on capital lease obligations	—	—	(5,892)	—	—	(5,892)
Proceeds from exercise of stock options	2,564	—	—	—	—	2,564
Capital investments from minority partner	—	—	—	2,776	—	2,776
Intercompany loans and investments	(2,573)	(810,276)	778,421	34,428	—	—
Net cash provided by (used in) financing activities	(9)	71,141	688,729	36,535	—	796,396
Net effect of exchange rate on cash and cash equivalents	—	—	—	1,610	—	1,610
Net increase (decrease) in cash and cash equivalents	(9)	(63)	17,748	2,890	—	20,566
Cash and cash equivalents:						
Beginning of period	12	67	21,286	11,665		33,030
End of period	$ 3	$ 4	$ 39,034	$ 14,555	$ —	$ 53,596

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, 2016, 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, 2016, 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, 2016. 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, 2016, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2016 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

We have audited Endurance International Group Holdings, Inc.'s internal control over financial reporting as of December 31, 2016 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Endurance International Group Holdings, Inc.'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 Management Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Endurance International Group Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Endurance International Group Holdings, Inc. as of December 31, 2015 and 2016, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Boston, Massachusetts
February 24, 2017

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, 2016 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 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.

Warburg Pincus LLC, or WP LLC, affiliates of which (i) beneficially own more than 10% of our outstanding common stock and/or are members of our board of directors and (ii) beneficially own more than 10% of the equity interests of, and have the right to designate members of the board of directors of, Santander Asset Management Investment Holdings Limited, or SAMIH, has informed us that, during the reporting period, affiliates of SAMIH and WP LLC engaged in activities subject to disclosure pursuant to Section 219 of ITRA and Section 13(r) of the Exchange Act. As a result, we are required to provide disclosure as set forth below pursuant to Section 219 of ITRA and Section 13(r) of the Exchange Act. WP LLC has informed us that SAMIH has provided WP LLC with the information below relevant to Section 219 of ITRA and Section 13(r) of the Exchange Act.

At the time of the events described below, SAMIH and its affiliates, may have been deemed to be under common control with us, but this statement is not meant to be an admission that common control existed or exists. We have no control over or involvement in the activities of SAMIH or its affiliates, or any of its subsidiaries or predecessor companies, and we were not involved in the preparation of, nor have we independently verified, the information provided by SAMIH to WP LLC. The disclosure below does not relate to any activities conducted by us and does not involve us or our management. The disclosure relates solely to activities conducted by SAMIH and its affiliates. We are not representing to the accuracy or completeness of the disclosure below, and we undertake no obligation to correct or update this information.

We understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that Santander UK plc, or Santander UK, holds two savings accounts and one current account for two customers resident in the United Kingdom who are currently designated by the United States under the Specially Designated Global Terrorist, or SDGT, sanctions program. Revenues and profits generated by Santander UK on these accounts in the year ended December 31, 2016 were negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that Santander UK held a savings account for a customer resident in the United Kingdom who is currently designated by the United States under the SDGT sanctions program. The savings account was closed on July 26, 2016. Revenue generated by Santander UK on this account in the year ended December 31, 2016 was negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that Santander UK held a current account for a customer resident in the United Kingdom who is currently designated by the United States under the SDGT sanctions program. The current account was closed on December 22, 2016. Revenue generated by Santander UK on this account in the year ended December 31, 2016 was negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that Santander UK holds two frozen current accounts for two UK nationals who are designated by the United States under the SDGT sanctions program. The accounts held by each customer have been frozen since their designation and have remained frozen through the year ended December 31, 2016. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by Santander UK Collections & Recoveries department. Revenues and profits generated by Santander UK on these accounts in the year ended December 31, 2016 were negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that during the year ended December 31, 2016, Santander UK had an OFAC match on a power of attorney account. A party listed on the account is currently designated by the United States under the SDGT sanctions program and the Iranian Financial Sanctions Regulations,

or IFSR. The power of attorney was removed from the account on July 29, 2016. During the year ended December 31, 2016, related revenues and profits generated by Santander UK were negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that an Iranian national, resident in the United Kingdom, who is currently designated by the United States under IFSR and the Weapons of Mass Destruction Proliferators Sanctions Regulations, held a mortgage with Santander UK that was issued prior to any such designation. The mortgage account was redeemed and closed on April 13, 2016. No further drawdown has been made or would be allowed under this mortgage although Santander UK continued to receive repayment installments prior to redemption. Revenues generated by Santander UK on this account in the year ended December 31, 2016 were negligible relative to the overall revenues of Banco Santander S.A. The same Iranian national also held two investment accounts with Santander ISA Managers Limited. The funds within both accounts were invested in the same portfolio fund. The accounts remained frozen until the investments were closed on May 12, 2016 and bank checks issued to the customer. Revenues generated by Santander UK on these accounts in the year ended December 31, 2016 were negligible relative to the overall revenues and profits of Banco Santander S.A.

We also understand that SAMIH's affiliates intend to disclose in their next annual or quarterly report that during the year ended December 31, 2016, Santander UK held a basic current account for an Iranian national, resident in the United Kingdom, previously designated under the Iranian Transactions and Sanctions Regulations. The account was closed in September 2016. Revenues generated by Santander UK on this account in the year ended December 31, 2016 were negligible relative to the overall revenues and profits of Banco Santander S.A.

Form 10-K

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 "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for the 2017 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 in the Corporate Governance 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 2017 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 2017 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 2017 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 2017 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 on page 78 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

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding such exhibits, which Exhibit Index is incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

None.

Form 10-K

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 24, 2017

By: /s/ Hari Ravichandran
Hari Ravichandran
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/ Hari Ravichandran Hari Ravichandran	Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
/s/ Marc Montagner Marc Montagner	Chief Financial Officer (Principal Financial Officer)	February 24, 2017
/s/ Timothy Mathews Timothy Mathews	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2017
/s/ James C. Neary James C. Neary	Chairman of the Board	February 24, 2017
/s/ Dale Crandall Dale Crandall	Director	February 24, 2017
/s/ Joseph P. DiSabato Joseph P. DiSabato	Director	February 24, 2017
/s/ Tomas Gorny Tomas Gorny	Director	February 24, 2017
/s/ Michael Hayford Michael Hayford	Director	February 24, 2017
/s/ Peter J. Perrone Peter J. Perrone	Director	February 24, 2017
/s/ Chandler J. Reedy Chandler J. Reedy	Director	February 24, 2017
/s/ Justin L. Sadrian Justin L. Sadrian	Director	February 24, 2017

EXHIBIT INDEX

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	
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	
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 Director Restricted Stock Agreement under the 2013 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.3	
10.6#	Form of Restricted Stock Agreement and Acknowledgment	S-1/A	333-191061	October 8, 2013	10.25	
10.7#	Form of Modification to Restricted Stock Agreement and Acknowledgment	10-K	001-36131	February 28, 2014	10.6	
10.8#	Stock Option Agreement between the Registrant and Hari Ravichandran, dated October 25, 2013	10-K	001-36131	February 28, 2014	10.7	

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
10.9#	Restricted Stock Unit Agreement between the Registrant and Hari Ravichandran, dated October 25, 2013, as amended by Amendment No. 1, dated as of December 12, 2013	10-K	001-36131	February 28, 2014	10.8	
10.10#	Restricted Stock Unit Agreement between the Registrant and Hari Ravichandran, dated October 25, 2013, as amended by Amendment No. 1, dated as of December 12, 2013	10-K	001-36131	February 28, 2014	10.9	
10.11#	Performance-Based Restricted Stock Agreement between the Registrant and Hari Ravichandran, dated September 18, 2015	8-K	001-36131	September 21, 2015	10.1	
10.12#	Form of Performance-Based Restricted Stock Agreement under the 2013 Stock Incentive Plan (CTCT integration)	10-Q	001-36131	May 9, 2016	10.10	
10.13#	Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan	S-8	333-209680	February 24, 2016	99.1	
10.14#	Form of Incentive Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.4	
10.15#	Form of Non-Statutory Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.5	
10.16#	Form of Restricted Stock Unit Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.6	
10.17#	Form of Incentive Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.4	
10.18#	Form of Non-Statutory Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.5	
10.19#	Form of Restricted Stock Unit Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.6	
10.20#	2016 Management Incentive Plan	8-K	001-36131	May 3, 2016	10.1	
10.21#	Changes to NEO Target Annual Cash Bonus Percentages	10-Q	001-36131	August 8, 2016	10.7	
10.22#	Employment Agreement, dated as of September 30, 2013, between Hari Ravichandran and the Registrant, as amended by Amendment No. 1, dated as of October 11, 2013	S-1/A	333-191061	October 11, 2013	10.24	
10.23#	Amendment No. 2 to Ravichandran Employment Agreement, dated as of September 18, 2015, by and between the Registrant and Hari Ravichandran	8-K	001-36131	September 21, 2015	10.2	
10.24#	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	
10.25#	Employment Agreement, dated as of February 22, 2016, by and between the Registrant and Ronald LaSalvia	10-Q	001-36131	May 9, 2016	10.7	

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
10.26#	Employment Agreement, dated as of March 7, 2016, by and between the Registrant and Katherine Andreasen	10-Q	001-36131	May 9, 2016	10.8	
10.27#	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	
10.28#	Offer Letter, dated as of January 21, 2016, by and between the Registrant and Kenneth J. Surdan					X
10.29#	Executive Severance Agreement by and among Constant Contact, Inc. and Kenneth J. Surdan, effective as of June 21, 2012					X
10.30#	Retention Agreement by and between Kenneth Surdan and the Registrant entered into on or about March 15, 2016					X
10.31#	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	
10.32	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	
10.33	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	
10.34	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	
10.35	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	10.10	
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+	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	
10.38+	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	10.10	

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
10.39+	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	
10.40+	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	
10.41	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	
10.42	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	
10.43+	Master Services Agreement dated as of September 25, 2013 between The Endurance International Group, Inc. and Tregaron India Holding, LLC, as amended by Amendment No. 1 dated as of February 7, 2014 and Amendment No. 2 dated as of December 5, 2014					X
10.44	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	
10.45	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	
10.46	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	

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
10.47	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	
10.48	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	
10.49	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	
10.50	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	
10.51	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					X
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					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase 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.

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive, Suite 300
Burlington, Massachusetts 01803

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on April 26, 2017

The 2017 Annual Meeting of Stockholders of Endurance International Group Holdings, Inc. will be held on Wednesday, April 26, 2017 at 2:00 p.m., Eastern time, at The Centres at Burlington at 67 South Bedford Street, Suite 400 West, Burlington, Massachusetts 01803. 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 2020, or until his 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, 2017; 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 February 27, 2017, 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 in person, we urge you to take the time to vote your shares.

You may obtain directions to the location of the Annual Meeting on our website at http://ir.endurance.com/events.cfm. We intend to limit attendance at the Annual Meeting to stockholders or their legal proxies. To be admitted, you must bring photo identification and—if you are a beneficial owner of shares held in “street name”—proof of stock ownership on the record date. If you plan on attending, please RSVP by Friday, April 21, 2017 to Lynn Harrison at 781-852-3276, or by e-mail to ir@endurance.com.

By Order of the Board of Directors,

DAVID C. BRYSON
Secretary

March 17, 2017

TABLE OF CONTENTS

IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING	2
MANAGEMENT AND CORPORATE GOVERNANCE	7
RELATED PERSON TRANSACTIONS	16
REPORT OF THE AUDIT COMMITTEE	22
EXECUTIVE COMPENSATION	23
PRINCIPAL STOCKHOLDERS	46
PROPOSAL 1—ELECTION OF DIRECTORS	49
PROPOSAL 2—ADVISORY VOTE ON EXECUTIVE COMPENSATION	49
PROPOSAL 3—RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS	50
OTHER MATTERS	52

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive, Suite 300
Burlington, Massachusetts 01803

PROXY STATEMENT

For the 2017 Annual Meeting of Stockholders on April 26, 2017

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 2017 Annual Meeting of Stockholders, to be held on Wednesday, April 26, 2017 at 2:00 p.m., Eastern time, at The Centres at Burlington at 67 South Bedford Street, Suite 400 West, Burlington, Massachusetts 01803, and at any adjournment or postponement thereof.

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 2016 Annual Report to Stockholders were first made available to stockholders on or about March 17, 2017.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS

For the 2017 Annual Meeting of Stockholders on April 26, 2017

This proxy statement and the 2016 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, 2016, 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, Suite 300
Burlington, Massachusetts 01803
Telephone: (781) 852-3200

This proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2016 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 2017 Annual Meeting of Stockholders, or Annual Meeting, to be held at The Centres at Burlington at 67 South Bedford Street, Suite 400 West, Burlington, Massachusetts 01803 on Wednesday, April 26, 2017 at 2:00 p.m., Eastern time.

Q. Who can vote at the Annual Meeting?

A. Our Board has fixed February 27, 2017 as the record date for the Annual Meeting. If you were a stockholder of record on the record date, you are entitled to vote (in person or by proxy) all of the shares that you held on that date at the Annual Meeting and at any postponement or adjournment thereof.

On the record date, we had 142,364,215 shares of common stock outstanding (each of which entitles its holder to one vote per share).

Q. How do I gain admission to the Annual Meeting?

A. We intend to limit attendance at the Annual Meeting to stockholders or their legal proxies. If you are a record owner and your shares are registered directly in your name, you must bring a valid, government-issued photo identification. If you are a beneficial owner of shares held in "street name," meaning they are held for your account by a broker or other nominee, you must bring a valid, government-issued photo identification and proof of beneficial ownership, such as: 1) a copy of the voting information form from your bank or broker with your name on it; 2) a letter from your bank or broker stating that you owned shares of our common stock as of the record date; or 3) an original brokerage account statement indicating that you owned shares of our common stock as of the record date.

Stockholders are encouraged to attend the meeting. If you plan on attending, we ask that you please RSVP by Friday, April 21, 2017 to Lynn Harrison at 781-852-3276, or by e-mail to ir@endurance.com.

Q. How do I vote?

A. **If your shares are registered directly in your name,** you may vote:

(1) **Over the Internet**: 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 of Internet 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 April 25, 2017, 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 April 25, 2017, 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 April 25, 2017, 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) **In Person at the Annual Meeting**: If you attend the Annual Meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which we will provide to you at 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 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) **In Person at the Meeting**: Contact your broker or other nominee who holds your shares to obtain a legal proxy and bring it with you to the Annual Meeting. A legal proxy is *not* the form of proxy included with this proxy statement. **You will not be able to vote shares you hold in street name in person at the Annual Meeting unless you have a legal proxy from your broker or other nominee issued in your name giving you the right to vote 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 April 25, 2017.

(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 April 25, 2017, will be counted.

(3) Attend the Annual Meeting, request that your proxy be revoked and vote in person 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 in person at the Annual Meeting if you obtain a legal proxy 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, by telephone, by returning a proxy card via the mail or by 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 in person at 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);

- 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, 2017 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, 2017.

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.cfm.

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 2, 2017.

Name	Age	Position
Hari Ravichandran	41	Chief Executive Officer and Director
James C. Neary(2)(3)	52	Chairman of the Board
Dale Crandall(1)	75	Director
Joseph P. DiSabato(2)(3)	50	Director
Tomas Gorny	41	Director
Michael Hayford(1)	57	Director
Peter J. Perrone(1)	49	Director
Chandler J. Reedy(3)	36	Director
Justin L. Sadrian(2)	44	Director

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating and Corporate Governance Committee

Hari Ravichandran, a founder of our company, has served as a director of our company periodically since its inception and continuously since 2007 and as our chief executive officer since March 2011. Previously, Mr. Ravichandran served as our president from December 2009 to February 2016, and prior to that he had responsibility for a range of strategic, technology, operational and financial matters at our company. We believe that as a founder, and based on Mr. Ravichandran's detailed knowledge of our company and our business, his service as our chief executive officer and his long career in the internet solutions industry, Mr. Ravichandran provides a critical contribution to our Board.

James C. Neary has served as our chairman since December 2011. Mr. Neary is a managing director and partner at Warburg Pincus and joined the firm in 2000. Mr. Neary is head of the firm's industrial and business services group and a member of the firm's executive 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., four private companies and a trustee of a not-for-profit institution. Within the last five years, Mr. Neary has served on the board of Fidelity National Information Services, Inc. and the boards of several private companies. 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.

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 Ansell Limited, Bridgepoint Education, Inc. and two private companies. Previously, Mr. Crandall served as lead trustee of The Dodge & Cox Mutual Funds, and as a director of Coventry Health Care, Inc. and Metavante Technologies, Inc. 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 Principal Investment Area since 2000. Mr. DiSabato serves as a director for four private companies. 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. 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. In addition to serving as a director of Unitedweb, Mr. Gorny serves on the boards of many of the private companies in which Unitedweb has invested. 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.

Michael D. Hayford has served as a director of our company since June 2013. From October 2009 until his retirement in June 2013, Mr. Hayford served as the chief financial officer at Fidelity National Information Services, Inc. Prior to joining Fidelity National Information Services, Mr. Hayford was with Metavante Technologies, Inc., a bank technology processing company, from 1992 through September 2009. He served as the chief operating officer at Metavante Technologies from May 2006 through September 2009 and as the president from November 2008 through September 2009. From November 2007 through October 2009, Mr. Hayford served on the board of Metavante Technologies. Mr. Hayford is a member of the board of directors and chairman of the audit committee of West Bend Mutual Insurance Company. We believe Mr. Hayford is qualified to serve on our Board due to his extensive executive leadership and management experience, as well as his background in financial reporting and accounting matters.

Peter J. Perrone has served as a director of our company since December 2011. Mr. Perrone is the chief financial officer at Percolate Industries, Inc., a marketing technology company, where he has served since December 2015. Previously, Mr. Perrone served as the chief financial officer of Limelight Networks, Inc., a digital presence management company, 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. Within the last five years, Mr. Perrone has served on the boards of five private companies. 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. Currently, Mr. Reedy is a director of two private companies. Within the last five years, he has served on the boards of four additional private companies. 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 media, internet and information investments. Prior to joining the firm, Mr. Sadrian worked at JP Morgan in its investment banking and private equity groups. Currently, he is a director of six private companies and one not-for-profit institution. Within the last five years, Mr. Sadrian has served on the boards of Grubhub Inc. and four additional private companies. 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.

There are no family relationships among any of our directors or executive officers.

Composition of the Board of Directors

Our Board currently consists of nine 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 17 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. 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 Messrs. Hayford, 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 2018; and
- the Class III directors are Messrs. DiSabato, Neary and Ravichandran, and their terms will expire at our annual meeting of stockholders held in 2019.

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.

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; provided that if investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, collectively, hold at least a majority of our outstanding capital stock, our directors, other than a director designated by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, may be removed with or without cause by the affirmative vote of the holders of a majority of our outstanding capital stock.

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 background, employment and affiliations, including family relationships, our Board has determined that each of our directors, with the exception of Messrs. Ravichandran and Gorny, is an “independent director” as defined under Rule 5605(a)(2) of the NASDAQ Listing Rules. Our Board also determined that Messrs. Crandall, Hayford and Perrone, who are members of our Audit Committee, Messrs. DiSabato, Neary and Sadrian, who comprise our Compensation Committee, 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 to focus on running the business, while allowing the chairman of our Board to lead 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 his strategic vision has guided our growth and performance. Our Board believes that Mr. Neary is best situated to ensure that the Board's attention and efforts are focused on the most critical matters. Mr. Ravichandran has served as our chief executive officer since March 2011. As our Board has determined that each of our directors other than Messrs. Ravichandran and Gorny is independent, our Board believes that the independent directors provide effective oversight of management. Our Board believes that its leadership structure is appropriate because it strikes an effective balance between strategy development and independent leadership and management oversight in the board process.

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;
- 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 Messrs. Crandall, Hayford and Perrone. The Audit Committee met fourteen times during 2016.

Our Board has determined that Mr. Crandall is 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 the 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 seven times during 2016 and acted by written consent eight times. 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 Messrs. DiSabato, Neary and Reedy. The Nominating and Corporate Governance Committee met two times during 2016 and acted by written consent once.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or served during 2016, 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 7 to 8 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 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, Suite 300, 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 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 2018 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 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, seven times during 2016 and acted by written consent five times. During 2016, each director attended at least 75% of the aggregate of the number of Board meetings and the number of meetings held by all committees on which he then served.

Our directors are invited to attend our annual meetings of stockholders, but are not required to do so. Mr. Ravichandran attended our 2016 annual meeting of stockholders.

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, Suite 300, 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 2, 2017.

Name	Age	Position
Marc Montagner	55	Chief Financial Officer
Kathy Andreasen	51	Chief Administrative Officer
David C. Bryson	64	Chief Legal Officer
John Orlando	51	Chief Marketing Officer
Kenneth J. Surdan	53	Chief Product Officer

Marc Montagner has served as our chief financial officer since September 2015. Mr. Montagner was previously chief financial officer at LightSquared, Inc. from January 2012 until August 2015. Previously, he had been executive vice president of strategy, development and distribution 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.

Kathy Andreasen has served as our chief administrative officer since February 2016 and our chief people officer since September 2012. From October 2011 to October 2012, Ms. Andreasen was an independent human resources strategy consultant. From October 2010 to September 2011, she served as chief people officer of AOL Inc. From December 2009 to October 2010, Ms. Andreasen served as chief human resources officer of Orchard Brands, a multi-channel retailer. From May 2008 to June 2009, Ms. Andreasen was head of human resources of Bill Me Later, a division of eBay Inc.

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., 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.

Kenneth J. Surdan has served as our chief product officer since June 2016. From June 2012 to June 2016, Mr. Surdan served as senior vice president of product at Constant Contact, Inc., which we acquired in February 2016. Previously, Mr. Surdan served as vice president of operations at Turbine Inc. from October 2008 to June 2012. From 2007 to 2008, he was senior vice president of technology at TripAdvisor, Inc., and from 2004 to 2007 he was chief operating officer and chief technology officer at SmartBargains.com.

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, 2016 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

Tregaron India Holdings, LLC, dba GlowTouch Technologies, provides us with a range of India-based outsourced services, including email- and chat-based customer and technical support, billing support, compliance monitoring, domain registrar support, marketing support, network monitoring, engineering and development support and web design and web building services. Certain of these services are provided to us by GlowTouch Technologies through its affiliates, including Diya Systems (Mangalore) Private Limited, or Diya, Glowtouch Technologies Pvt. Ltd, or Glowtouch, and Touch Web Designs, LLC, or Touch Web.

Diya provides outsourced sales and support services, as well as electricity and associated IT systems, to certain of our India-based businesses. Diya also leases office space to us pursuant to a deed of lease which extends through March 31, 2022, although we may terminate the lease early subject to payment of specified termination fees. Currently, rent under the lease is approximately $26,000 per month based on current exchange rates and increases by 5% annually through the end of the term.

Vidya Ravichandran and Indira Ravichandran, Mr. Ravichandran's sister and mother, respectively, are majority owners of GlowTouch Technologies. Dr. V. Ravichandran, Mr. Ravichandran's father, is chief executive officer of both Diya and Glowtouch and Vidya Ravichandran is president of GlowTouch Technologies and Touch Web. In 2016, we recorded expenses of $14.3 million for the services provided to us and office space leased to us by GlowTouch Technologies and its affiliates.

Interactive Business Services, LLC, or IBS, provides website security products that we and IBS offer to our customer base. Mr. Gorny, Mr. Ravichandran and a business partner of Mr. Gorny indirectly own IBS. Under our current agreement with IBS, we pay IBS $675,000 per year for specified website security products provided to our customers. The agreement also involves 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. The agreement has an initial term of five years ending in November 2019, although we may terminate it early subject to payment of specified termination fees. We may also terminate the agreement without penalty if IBS does not meet its minimum sales commitment for specified periods or in certain other specified circumstances. In 2016, we recorded expenses of $5.1 million in connection with our relationship with IBS. We are currently in discussions with IBS to potentially amend the agreement in order for IBS to provide us with content delivery networks (CDNs) for inclusion in our standard hosting packages.

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 2, 2017, holders of a total of 72,183,096 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 either 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 either 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 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.

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 10.8 % of our outstanding capital stock, and Mr. DiSabato, one of our directors, is a managing director at Goldman Sachs. See page 46 under "*Principal Stockholders*" and page 7 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 limits our exposure to interest rate increases on $500.0 million of our outstanding debt. In 2016, we paid approximately $3.0 million to a subsidiary of Goldman, Sachs & Co. for this interest rate cap.

In connection with and concurrently with our acquisition of Constant Contact, Inc. in February 2016, we entered into a $735 million first lien incremental term loan facility, or the Incremental Term Loan Facility, and a $165 million revolving credit facility, or the New Revolving Facility (which replaced our previously existing

$125 million revolving credit facility), and our wholly owned subsidiary EIG Investors Corp. issued 10.875% senior notes in the aggregate principal amount of $350.0 million due 2024, or the Notes. An affiliate of Goldman, Sachs & Co. provided loans in the aggregate principal amount of $312.4 million under the Incremental Term Loan Facility and a commitment in the aggregate principal amount of $57.6 million under the New Revolving Facility, and Goldman, Sachs & Co. acted as a book-running manager in our offering of the Notes and purchased approximately $148.8 million worth of the Notes. In connection with the issuance of the Notes, we agreed to assist the initial purchasers, including Goldman, Sachs & Co., in marketing the Notes and we incurred expenses on behalf of the initial purchasers of approximately $0.8 million in 2016. The foregoing financing arrangements were provided in accordance with a commitment letter we entered into with an affiliate of Goldman, Sachs & Co. and certain other investment banks in November 2015.

In connection with the issuance of the Notes, we entered into a registration rights agreement with the initial purchasers of the Notes, including Goldman, Sachs & Co. Pursuant to this registration rights agreement, in November 2016, we filed an exchange offer registration statement with respect to a registered offer, or the Exchange Offer, to exchange the Notes for substantially identical notes, or the Exchange Notes, except that the Exchange Notes are registered under the Securities Act and the transfer restrictions and registration rights and related additional interest provisions applicable to the Notes do not apply to the Exchange Notes. The Exchange Offer was consummated on January 30, 2017.

We also filed a registration statement providing for the registration of certain secondary transactions in the Exchange Notes by Goldman, Sachs & Co. and its affiliates. We incurred expenses of approximately $0.1 million in 2016 for the filing of this registration statement.

Goldman, Sachs & Co. also served as a financial advisor in connection with our acquisition of Constant Contact and in 2016 we paid approximately $8.6 million to Goldman, Sachs & Co. in connection with these services.

Arrangements with Executive Officers and Directors

For a description of the compensation arrangements we have with our executive officers and directors, see page 40 under "*Executive Compensation—Employment and Compensation Arrangements with Named Executive Officers*" and page 44 under "*Executive Compensation—Director Compensation*."

Ronald LaSalvia's daughter is employed by us as a senior manager of corporate communications. Ms. LaSalvia's total compensation for 2016 was approximately $124,000, which includes a restricted stock award that vests over four years, and she was eligible for company benefits available to other employees in a similar position. Mr. LaSalvia served as our President and Chief Operating Officer until March 1, 2017. The compensation paid to Ms. LaSalvia was reviewed and approved by the Audit Committee in accordance with our related person transactions policy.

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, 2016 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 Public Company Accounting Oversight Board Auditing Standard No. 16 (Communications with Audit Committees).

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, 2016 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
Michael Hayford
Peter J. Perrone

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes our executive compensation program, including the 2016 compensation of our named executive officers, or NEOs, who are listed below:

Name	Title
Hari Ravichandran	Chief Executive Officer
Marc Montagner	Chief Financial Officer
Ronald LaSalvia	Former President and Chief Operating Officer (resigned as President and Chief Operating Officer effective March 1, 2017)
Kathy Andreasen	Chief Administrative Officer
Kenneth Surdan	Chief Product Officer

Executive Overview

Business Overview and 2016 Performance Highlights

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 5.37 million subscribers globally with a comprehensive suite of products and services that help SMBs get online, get found and grow their businesses. Historically, our products focused largely on web hosting and other basic web presence solutions such as domains, but over time we have expanded to offer security, site backup, premium domains, search engine optimization ("SEO") and search engine marketing ("SEM"), Google Adwords, mobile solutions, social media enablement, website analytics, email marketing and productivity and e-commerce tools, among others. More recently, we have launched additional products and services, including website builders, mobile site builders and new hosting brands, both to satisfy existing subscriber needs and to expand the product gateways through which new subscribers initially reach us. We refer to these newer products and services as "gateway products".

On February 9, 2016, we acquired Constant Contact, Inc., or Constant Contact, a leading provider of online marketing tools that are designed for small organizations, for a total purchase price of approximately $1.1 billion.

Beginning with the fourth quarter and full year 2016, we are reporting our financial results in two reportable segments, web presence and email marketing. The web presence segment generally consists of the products we historically sold prior to the acquisition of Constant Contact, including web hosting, domains, and related web presence products and services, and the email marketing segment consists of the products and services historically offered by Constant Contact, principally email marketing solutions, but also including event marketing, survey tools and our SinglePlatform digital storefront product.

Our 2016 financial results reflected solid free cash flow and better than expected cost synergies from the Constant Contact acquisition, resulting in healthy performance by our email marketing segment, but were below our expectations as of the beginning of 2016 due to the underperformance of our web presence segment. Our web presence segment financial results for 2016 were negatively affected by new gateway products we introduced early in the year, which had higher subscriber acquisition costs and subscriber churn than we originally anticipated. In response to these results, we significantly reduced our marketing investments on gateway products during the second half of the year and have now stopped marketing most of these products altogether. Our web presence segment was also negatively impacted by relatively flat revenue and subscriber growth within our core hosting business, which resulted from several factors, including: flat marketing expenditures relative to 2015 in the first half of 2016 as a result of our focus on gateway products during that period; operational challenges that negatively impacted product, customer support and user experience for some of our key web hosting brands; and trends in the competitive landscape.

We are focusing on several initiatives in 2017 in order to address the challenges we encountered in 2016, including strengthening our key brands, improving the product, customer support and user experience for our web presence segment, and various initiatives to expand revenue streams through expansion of our international business, cross-selling products between our two segments and other product initiatives. Please see our Annual Report on Form 10-K filed with the SEC on February 24, 2017, particularly "*Management's Discussion and Analysis*" and "*Risk Factors*", for further discussion of our 2016 results, our outlook for 2017 and risks affecting our business.

Pay Philosophy

We expect our executive officers to initiate and carry out sustainable growth strategies and create long-term value for our stockholders. Company and individual performance are therefore key factors in our executive compensation program design. 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 financial goals, which may include revenue, adjusted EBITDA and free cash flow objectives; and
- Reflect each executive's individual performance and career potential.

Key Features of Executive Compensation Program

Our Compensation Committee has designed our executive compensation program to deliver compensation in accordance with company and individual performance. For 2016, an average of approximately 85% of total compensation under our program (as set forth in the "Total Compensation" column of the Summary Compensation Table below) for our NEOs other than Mr. Ravichandran consisted of long-term equity incentives that are variable and dependent upon performance actually achieved. These long-term incentives consist of stock options whose value depends on stock price appreciation, restricted stock or restricted stock units that vest over time provided that the executive remains employed with us, and in the case of Ms. Andreasen and Messrs. Montagner and LaSalvia, performance-based restricted stock with vesting dependent upon the achievement of financial targets and continued employment with us. Mr. Ravichandran's 2016 compensation consisted of a $200,000 base salary, and he did not receive any bonuses or new equity awards. See page 27 under "*Hari Ravichandran—2016 Compensation" below*.

The key elements, compensation objectives and principles of our overall 2016 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*	• Compensates 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 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.

Compensation Element	Compensation Objectives and Principles	Relation to Performance
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), subject to the discretion of the Compensation Committee. • Annual bonuses are subject to adjustment 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. • Pay-for-performance focus. • Reward NEOs for long-term growth. • Attract, retain, motivate and reward NEOs.	• 50% of the LTI value for our NEOs other than Mr. Ravichandran (excluding the 2016 PRSAs to Ms. Andreasen and Messrs. Montagner and LaSalvia, as defined below) is delivered as stock options, which motivates them to take actions which should increase our stock price. • 50% of the LTI value for our NEOs other than Mr. Ravichandran (excluding the 2016 PRSAs) is delivered as restricted stock or restricted stock units, which provides retention incentives and aligns NEO interests with those of stockholders.

Executive Compensation Best Practices

In addition to a general focus on pay-for-performance, 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.
- With the exception of modest umbrella liability insurance coverage, all benefits and perquisites offered to NEOs are generally consistent with those offered to all full time employees.
- 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.
- With the exception of performance-based awards, equity awards granted to our NEOs 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, within one year of the change in control.
- 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.
- Annual advisory "say-on-pay" vote on NEO compensation.

Setting Executive Compensation

Oversight of Executive Compensation Program

Our Compensation Committee is responsible for overseeing our executive compensation program. Our Compensation Committee reviews and approves the compensation of Mr. Ravichandran and our other executive officers after taking into account such factors as our financial and operational performance, Mr. Ravichandran's recommendations with respect to the compensation of his direct reports, the input of Ms. Andreasen, its own assessment of the performance of each executive officer, 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 Mr. Ravichandran for other executive officers.

The Compensation Committee has the ability to delegate certain of its responsibilities to subcommittees, but has not done so to date. 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 2016, Exequity advised our Compensation Committee with respect to the composition of our executive compensation peer group, evaluating and benchmarking our executive compensation programs in relation to peer group practices, and benchmarking our stock incentive plan utilization and overhang rates in relation to peer group practices. 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 2016

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, which in 2016 consisted of 18 companies that were in similar or complementary industries, had comparable market capitalizations and revenues, and/or were competitors for key executive talent.

The peer group used for our executive compensation decisions for 2016 consisted of the following companies:

- Bankrate Inc.
- Cimpress N.V.
- Cogent Communications Group, Inc.
- Constant Contact, Inc.[1]
- CoStar Group, Inc.
- Dealertrack Technologies, Inc.
- GoDaddy Inc.
- J2 Global, Inc.
- NetSuite Inc.
- Pandora Media, Inc.
- Rackspace Hosting, Inc.
- SolarWinds, Inc.
- SS&C Technologies Holdings, Inc.
- The Ultimate Software Group, Inc.
- VeriSign, Inc.
- Web.com Group, Inc.
- WebMD Health Corp.
- Yelp, Inc.

---

[1] Benchmarking was based on Constant Contact pre-acquisition compensation practices.

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 direct 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 of 150% of target 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 restricted stock, restricted stock units and options that vest over four years in the case of time-based awards, and performance-based awards that generally require both the achievement of designated metrics and employment through a specified date. 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 based upon company performance.

2016 "Say-On-Pay" Vote

We held our first required advisory "say-on-pay" vote at our Annual Meeting of Stockholders on May 26, 2016. Because the Compensation Committee had already approved 2016 executive officer salaries, target bonuses and equity grants in April 2016, the results of the say-on-pay vote were not a material factor in these decisions. However, in the future, the Compensation Committee expects to consider the results of say-on-pay votes when determining executive compensation decisions and policies.

2016 Executive Compensation

This section describes Mr. Ravichandran's compensation, particularly the performance-based restricted stock award, or PRSA, granted to him in 2015 and the shares earned pursuant to that award during 2016, and discusses the key components of 2016 compensation for our other NEOs: base salary, annual bonus and long-term incentive awards.

Hari Ravichandran—2016 Compensation

Base Salary and Bonus

In 2015, in connection with the grant of the PRSA described below and in order to further align Mr. Ravichandran's compensation with corporate performance, we and Mr. Ravichandran amended his employment agreement to reduce his base salary from $750,000 to $200,000 effective October 1, 2015, and to reduce his annual cash bonus with respect to calendar years 2015, 2016 and 2017 to zero unless otherwise determined by the Board or the Compensation Committee. As a result of these changes made in 2015, Mr. Ravichandran's base salary for 2016 was $200,000 and he did not receive an annual cash bonus. His base salary will be reviewed for increase no later than June 30, 2018, which is the end of the Performance Period (as defined below) under the PRSA, and he will be considered for a discretionary bonus for the 2018 calendar year and annually thereafter.

Performance-Based Restricted Stock Award

In September 2015, our Compensation Committee and Board approved the grant of the PRSA to Mr. Ravichandran. The PRSA provides an opportunity for Mr. Ravichandran to earn up to 3,693,754 shares of our common stock, or the Award Shares, over a three-year period beginning on July 1, 2015 and ending on June 30, 2018, or the Performance Period. Award Shares may be earned based on our achieving pre-established threshold, target and maximum levels of free cash flow per share, which is defined in the award agreement as Unlevered Free Cash Flow (as reported), as defined in our Form 8-K filed on August 4, 2015, less interest paid[2], divided by the number of outstanding shares of our common stock (excluding the Award Shares) at the end of the applicable Performance Quarter or Performance Year, each as defined below.

If free cash flow per share for the Performance Period were at the target level throughout the entire Performance Period, Mr. Ravichandran would earn 2,350,571 of the Award Shares for the Performance Period. If free cash flow per share were above the threshold level but below the target level for the Performance Period, he would earn fewer Award Shares, and if it were above the target level for the Performance Period, he would earn up to the maximum number of the Award Shares. The threshold, target and maximum levels were designed to be reasonably attainable, difficult but attainable, and challenging, respectively. The award structure is specifically designed to incentivize performance in excess of the target level by accelerating the number of Award Shares Mr. Ravichandran would receive for results above target. Our Board and Compensation Committee believe that achieving target level performance over the Performance Period would represent meaningful free cash flow per share growth from levels at the time of grant and would create significant stockholder value, and that achieving the maximum level would represent exceptional performance.

Award Shares may be earned during each calendar quarter during the Performance Period (each, a Performance Quarter) if we achieve a threshold, target or maximum level of free cash flow per share for the Performance Quarter. If free cash flow per share is less than the threshold level for a Performance Quarter, no Award Shares will be earned during that Performance Quarter, otherwise approximately 139,915 shares, 195,881 shares or 307,812 shares will be earned for achievement of the threshold, target or maximum level, respectively, for a Performance Quarter, with linear interpolation used to determine the number of Award Shares between threshold and target or target and maximum. Award Shares that were not earned during a Performance Quarter may be earned later during the then current twelve month period from July 1st to June 30th during the Performance Period (each, a Performance Year) at a threshold, target or maximum level of free cash flow per share for the Performance Year. If free cash flow per share is less than the threshold level for a Performance Year, no Award Shares will be earned during that Performance Year, otherwise approximately 559,660 shares, 783,524 shares or 1,231,251 shares will be earned for achievement of the threshold, target or maximum level, respectively, for a Performance Year, with linear interpolation used to determine the number of Award Shares between threshold and target or target and maximum. Award Shares earned due to meeting quarterly performance goals for Performance Quarters during a Performance Year count towards the Award Shares that may be earned due to meeting an annual performance goal for that Performance Year.

In order to account for the potential concentration of growth capital expenditures in a particular Performance Year, in certain instances free cash flow per share that exceeds the threshold level for a later Performance Year (in the event that the threshold level for the immediately preceding Performance Year was not met) or that exceeds the maximum level for a later Performance Year can be applied to earn Award Shares that were not earned in the immediately preceding Performance Year. However, free cash flow per share may not be applied to more than one Performance Year.

---

[2] Please see *Appendix A* for the calculation and reconciliation to GAAP cash flow from operations of free cash flow per share as defined in the PRSA for all completed Performance Quarters and Performance Years through the fourth quarter of 2016.

If there is a change in control (as defined in Mr. Ravichandran's employment agreement) while Mr. Ravichandran is employed by us or Mr. Ravichandran's employment is terminated due to death or disability (as defined in Mr. Ravichandran's employment agreement) during a given Performance Quarter, Mr. Ravichandran will be entitled to any Award Shares earned for previous Performance Quarters, together with a number of Award Shares equal to the target level of Award Shares for that Performance Quarter and for any additional remaining Performance Quarters during the Performance Period.

If we terminate Mr. Ravichandran's employment without cause or he resigns for good reason (as such terms are defined in his employment agreement), Mr. Ravichandran will be entitled to any Award Shares earned for previous Performance Quarters, together with the number of Award Shares that are earned for the Performance Quarter in which his employment ends (but no less than the target number of Award Shares for such Performance Quarter).

Except as described above, Mr. Ravichandran must be employed by us at the end of the Performance Period (June 30, 2018) in order to become vested in any Award Shares that have been earned under the PRSA. Award Shares that have been earned based on free cash flow per share performance as described above will be forfeited if, prior to a change in control, Mr. Ravichandran resigns without good reason or his employment is terminated by us for cause before the end of the Performance Period.

The following table summarizes Award Shares that have been earned since the grant of the award through December 31, 2016:

	Target Free Cash Flow (FCF) Per Share			Actual FCF Per Share(1)	Award Shares Earned
	Threshold	Target	Maximum		
Performance Quarter ended September 30, 2015	$0.29	$0.30	$0.32	$0.28	—
Performance Quarter ended December 31, 2015	$0.29	$0.30	$0.32	$0.30	195,881
Performance Quarter ended March 31, 2016	$0.30	$0.31	$0.33	$0.31	195,881
Performance Quarter ended June 30, 2016	$0.30	$0.31	$0.33	$0.40	307,815
Performance Year ended June 30, 2016	$1.18	$1.22	$1.30	$1.26	315,789(2)
Performance Quarter ended September 30, 2016	$0.31	$0.34	$0.36	$0.25	—
Performance Quarter ended December 31, 2016	$0.31	$0.34	$0.36	$0.33	184,115

(1) Please see *Appendix A* for the calculation and reconciliation to GAAP cash flow from operations of actual free cash flow per share as defined in the PRSA for all completed Performance Quarters and Performance Years through the fourth quarter of 2016.
(2) Represents the difference between the number of Award Shares earned due to meeting an annual performance goal for the Performance Year (1,015,366) and the Award Shares earned due to meeting quarterly performance goals for Performance Quarters during the Performance Year (699,577).

Components of 2016 Executive Compensation Program—Base Salary

During 2016, base salaries for Messrs. Montagner and LaSalvia were increased effective April 4, 2016 to reflect expanded duties and responsibilities. Our Compensation Committee considered benchmarking data from our peer group when approving these increases. Ms. Andreasen's 2016 base salary was unchanged from 2015.

Effective October 1, 2015, Mr. Ravichandran's base salary was decreased to $200,000 and remained the same in 2016, as discussed above.

The chart below shows the 2015 and 2016 base salaries for our NEOs:

Name	2015 Base Salary ($)	2016 Base Salary ($)	Change ($/%)
Hari Ravichandran	200,000	200,000	—
Marc Montagner	450,000	475,000	6%
Ronald LaSalvia	400,000	450,000	13%
Kathy Andreasen	350,000	350,000	—
Kenneth Surdan(1)	—	375,000	—

(1) Mr. Surdan joined us on February 9, 2016 in connection with our acquisition of Constant Contact.

Components of 2016 Executive Compensation Program—Annual Bonus

2016 Management Incentive Plan (MIP)

Our annual bonuses are granted under the MIP, which is designed to reward our NEOs (other than Mr. Ravichandran, who is not eligible to receive an annual bonus unless otherwise determined by the Board or the Compensation Committee as described above on page 27 under "*Hari Ravichandran—2016 Compensation*") for our achievement of designated performance targets for a fiscal year.

For 2016, the MIP had three pre-established targets: an adjusted revenue target weighted at 50%, an adjusted EBITDA target weighted at 25% and an adjusted free cash flow target weighted at 25%. For purposes of the 2016 MIP, these targets are defined as follows:

- **Adjusted revenue** means GAAP revenue adjusted to exclude the impact of any fair value adjustments to deferred revenue resulting from acquisitions (which we sometimes refer to as the "purchase accounting adjustment").
- **Adjusted EBITDA** means GAAP net income (loss) plus (i) changes in deferred revenue, depreciation, amortization, stock-based compensation expense, loss of unconsolidated entities, net loss on sale of assets, impairment of other intangibles, expenses related to integration of acquisitions and restructurings, transaction expenses and charges, certain legal advisory expenses, interest expense and income tax expense, less (ii) earnings and gains related to unconsolidated entities, net gain on sale of assets and the impact of purchase accounting related to reduced fair value of deferred domain registration costs.
- **Adjusted free cash flow** means GAAP cash flow from operations less capital expenditures and capital lease obligations, plus transaction expenses and charges.[3]

Please see *Appendix A* for a reconciliation of actual 2016 results for each of these targets to its nearest comparable GAAP financial measure.

The percentage achievement of each target is weighted accordingly and added together to derive the Company Achievement Factor. The 2016 MIP provided, subject to the Compensation Committee's discretion, that the bonus pool under the MIP would not be funded at all unless the Company Achievement Factor was 90% or greater, at which point the bonus pool would be funded as follows:

Company Achievement Factor	Bonus Pool Funding
90%	50%
95%	95%
100%	100%
104%	125%
108%	150%

[3] Our Form 8-K filed on May 3, 2016 incorrectly defined adjusted free cash flow as used in the 2016 MIP as cash flow from operations, less capital expenditures and capital lease obligations, plus transaction expenses and charges, integration and restructuring expenses and certain legal advisory expenses.

Bonus pool funding is determined using linear interpolation between the stated percentages. If the Company Achievement Factor were to be equal to or greater than 108%, the maximum bonus pool funding level under the 2016 MIP would have been 150%.

Our original 2016 targets under the MIP were $1.185 billion for adjusted revenue, $405 million for adjusted EBITDA, and $185 million for adjusted free cash flow, or the Original Targets. Our actual 2016 results were $1.131 billion for adjusted revenue, $351 million for adjusted EBITDA and $147 million for adjusted free cash flow. Our 2016 Company Achievement Factor based upon the Original Targets was 89.3%, meaning that under the Original Targets, the bonus pool under the 2016 MIP would not have been funded at all, and therefore none of our employees participating in the MIP would have received a bonus.

The Compensation Committee has discretion under the MIP to adjust MIP payouts, and in February 2017, the Committee exercised this discretion to provide for funding of the 2016 MIP bonus pool at 75% of target levels for the general employee population and at 60% of target levels for our executive officers, which includes the NEOs. The Compensation Committee determined, based on its own judgment and on input from Mr. Ravichandran and Ms. Andreasen, that not funding the bonus pool at all would negatively impact employee morale, retention and motivation, and unnecessarily penalize employees who had limited influence over the factors that caused us to miss the Original Targets. The Committee concluded that a bonus pool funding rate of 75% of target was appropriate to sustain morale and promote retention for the general employee base, and that a lower funding rate of 60% of target was appropriate for executive officers, including the NEOs.

The bonus pool available for executive officer bonuses was determined by adding together the bonus amounts that each of our individual executive officers would receive if he or she were paid at 60% of his or her target bonus, based upon his or her eligible earnings and target bonus percentage. The Committee then allocated the resulting total executive officer bonus pool among the executive officers based upon Mr. Ravichandran's recommendations and its own assessment of each individual's performance.

The Compensation Committee determined that Mr. LaSalvia would not receive a bonus under the 2016 MIP, given his high level of responsibility for our achievement of our financial targets and operational performance. Mr. Montagner, Ms. Andreasen and Mr. Surdan each received bonus payouts of 60% of their eligible earnings under the MIP, in order to reflect solid performance in their respective areas during the year.

The following table provides further detail about the 2016 annual bonus as calculated under the MIP for each participating NEO:

Name	2016 MIP Bonus Eligible Earnings ($)	Target Percent of Eligible Earnings	2016 Bonus Pool Funding	Individual Performance Multiplier	Actual 2016 MIP Annual Bonus Earned ($)
Marc Montagner	468,269	75%	60%	100%	210,722
Ronald LaSalvia	436,539	60%/75%(1)	60%	0%	—
Kathy Andreasen	350,000	50%/60%(1)	60%	100%	115,501
Kenneth Surdan(2)	281,250	60%	60%	100%	101,250

(1) Calculations prorated to reflect the impact of an increase to target bonus percentage effective July 1, 2016.
(2) Mr. Surdan joined us on February 9, 2016 in connection with our acquisition of Constant Contact and was eligible to participate in the MIP effective April 1, 2016.

Constant Contact Bonus Plan

Mr. Surdan also participated in the 2016 Constant Contact Bonus Plan, or the 2016 CTCT Plan, for the first quarter of 2016. His individual target bonus for this period was $56,250. The 2016 CTCT Plan had two targets for the first quarter, each weighted at 50%: a quarterly revenue growth, or QRG, target and an adjusted EBITDA

margin target. QRG was defined for the first quarter of as the difference between (i) first quarter 2016 GAAP revenue of Constant Contact and its subsidiaries, adjusted to exclude the impact of fair value adjustments to deferred revenue resulting from our acquisition of Constant Contact, or Q1 2016 Adjusted Revenue, and (ii) fourth quarter 2015 Constant Contact GAAP revenue. Adjusted EBITDA margin was defined as first quarter 2016 net income of Constant Contact and its subsidiaries, adjusted for depreciation and amortization, transaction expenses, certain legal advisory expenses, integration and restructuring expenses, income taxes, interest and other income as a percentage of Q1 2016 Adjusted Revenue. The QRG target for the first quarter of 2016 was $150,000 and actual QRG was $204,488, and the adjusted EBITDA margin target was $22.40% and actual adjusted EBITDA margin was 23.23%, resulting in a payout of $72,304 to Mr. Surdan. The 2016 CTCT Plan has been discontinued.

Components of 2016 Executive Compensation Program—Long-Term Incentives

Annual Equity Awards

In 2016, for NEOs other than Mr. Ravichandran, who is discussed separately on page 27 under "*Hari Ravichandran—2016 Compensation*," we granted annual long-term incentives in the form of stock options, restricted stock and restricted stock units. Excluding the 2016 PRSAs described below, the value of the long-term incentives was allocated 50% to options and 50% to restricted stock awards, or RSAs, for Ms. Andreasen and Messrs. Montagner and LaSalvia, and was allocated 50% to options and 50% to restricted stock units, or RSUs, for Mr. Surdan. The number of shares subject to these equity awards was determined for the RSA or RSU component by dividing the "Value Delivered as RSAs or RSUs" shown below by the closing price of a share of our common stock on the grant date of the relevant award, and for the stock option component by dividing the "Value Delivered as Stock Options" shown below by one-third of the closing price of a share of our common stock on the grant date of the relevant award.

Name	2016 Target LTI Value ($)	Value Delivered as Stock Options ($)	Shares Underlying Stock Options (#)	Value Delivered as RSAs or RSUs ($)	Shares Underlying RSAs or RSUs (#)
Marc Montagner	2,500,000	1,250,000	337,837	1,250,000	112,613
Ronald LaSalvia	3,500,000	1,750,000	472,972	1,750,000	157,658
Kathy Andreasen	1,250,000	625,000	168,917	625,000	56,307
Kenneth Surdan	1,500,000	750,000	135,134	750,000	67,568

The stock options reflected in the table above were granted with an exercise price equal to the stock price on the grant date, with 25% vesting on the first anniversary of the grant date and an additional 1/48th vesting monthly thereafter, and have a term of 10 years. Restricted stock and restricted stock units vest over four years, with 25% vesting on each anniversary of the grant date.

Performance-Based Restricted Stock Awards

In February 2016, our Compensation Committee approved the grant of performance-based restricted stock awards, or the 2016 PRSAs, to Mr. Montagner, Mr. LaSalvia and Ms. Andreasen. Mr. Montagner's 2016 PRSA provides him with an opportunity to earn up to 223,214 shares of our common stock, with a target of 178,571 shares. Mr. LaSalvia's 2016 PRSA provides him with an opportunity to earn up to 260,416 shares of our common stock, with a target of 208,333 shares. Ms. Andreasen's 2016 PRSA provides her with an opportunity to earn up to 148,810 shares of our common stock, with a target of 119,048 shares.

The shares subject to the 2016 PRSAs are earned based on the Constant Contact business achieving a performance metric, or the Performance Metric, consisting of an adjusted revenue target weighted at 50%, an adjusted EBITDA target weighted at 25% and an adjusted free cash flow target weighted at 25%, in each case for the twelve-month period ending December 31, 2016, assuming for this purpose that our acquisition of Constant Contact had taken place on January 1, 2016. The components of the Performance Metric for the 2016 PRSAs are

defined differently than the targets for the 2016 MIP because they assume Constant Contact had been part of our business for all of calendar year 2016, do not reflect the allocation of corporate overhead costs to Constant Contact and (in the case of adjusted free cash flow) exclude the negative impact of cash interest payments and include changes in deferred revenue. For purposes of the 2016 PRSAs:

- **Constant Contact adjusted revenue** means revenue from Constant Contact, Inc. and its subsidiaries, calculated in accordance with GAAP, for 2016 assuming that our acquisition of Constant Contact had taken place on January 1, 2016, and adjusted to exclude the impact of the purchase accounting adjustment from the Constant Contact acquisition.
- **Constant Contact adjusted EBITDA** means net income (loss) from Constant Contact, Inc. and its subsidiaries for 2016, assuming that our acquisition of Constant Contact had taken place on January 1, 2016, plus (i) changes in deferred revenue, depreciation, amortization, stock-based compensation expense, loss of unconsolidated entities, net loss on sale of assets, expenses related to integration of acquisitions and restructurings, transaction expenses and charges, certain legal advisory expenses, interest expense and income tax expense, less (ii) earnings of unconsolidated entities, net gain on sale of assets and other non-recurring gains.
- **Constant Contact adjusted free cash flow** means Constant Contact adjusted EBITDA, less (i) cash paid for restructuring charges and capital expenditures, plus or minus (ii) the change in working capital. Constant Contact adjusted free cash flow excludes any negative impact of cash interest payments, but includes changes in deferred revenue.

Please see *Appendix A* for additional information about actual 2016 results for each of these Performance Metric components.

The percentage of shares that are earned is calculated as follows, with linear interpolation used to determine the number of shares between the stated percentages:

Achievement of Performance Metric	Earned Shares
Less than 90%	0%
90%	40%
95%	76%
100%/	80%
Greater than or equal to 105%	100%

The targets under the 2016 PRSAs were $380 million for Constant Contact adjusted revenue, $129 million for Constant Contact adjusted EBITDA and $101 million for Constant Contact adjusted free cash flow, and our actual results were $383.1 million for Constant Contact adjusted revenue (100.8% of the target), $150.2 million for Constant Contact adjusted EBITDA (116.4% of the target) and $119.8 million for Constant Contact adjusted free cash flow (118.6% of the target), resulting in an aggregate Performance Metric of 109%. Upon Board confirmation and approval of the Performance Metric, and subject to the other terms and conditions of the 2016 PRSAs, each executive will earn the maximum number of shares subject to his or her award. These shares will vest on March 31, 2017, or the Determination Date.

If there is a change in control (as defined in the executive's employment agreement) prior to the Determination Date while such executive is employed by us, the shares subject to the executive's 2016 PRSA will vest immediately at 100% achievement of the Performance Metric and the remaining shares will be forfeited. If the executive's employment is terminated without cause or due to death or disability or he or she resigns for good reason (as such terms are defined in the executive's employment agreement) prior to the Determination Date, the shares subject to the executive's 2016 PRSA will be reduced pro-rata based on the duration of his or her employment during the period from January 1, 2016 through the Determination Date and the reduced number of shares will vest on the Determination Date based on the actual level of achievement of the Performance Metric. Except as described above, the executive must be employed by us on the Determination Date in order for any shares subject to the 2016 PRSA to vest.

Benefits and Perquisites

For 2016, we provided our NEOs with the same benefits that are provided to all employees generally, including medical, dental and vision benefits, group term life insurance and participation in our 401(k) plan. We also provide our NEOs with umbrella liability insurance coverage, at our expense.

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 page 40 under "*Employment and Compensation Arrangements with Named Executive Officers*" and page 44 under "*Potential Payments upon Termination or Change in Control*" below.

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 to each of the company's chief executive officer and the three most highly compensated executive officers other than the chief executive officer and chief financial officer. Certain compensation paid during a transition period following our initial public offering, or paid after the transition period pursuant to certain equity awards granted during the transition period, will be exempt from the deduction limitation under Section 162(m) of the Code. In addition, compensation that constitutes qualified performance-based compensation is not subject to the deduction limitation if certain requirements are met. We may structure and administer our Amended and Restated 2013 Stock Incentive Plan and our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan in a manner intended to comply with the performance-based compensation exception to Section 162(m). Nevertheless, there can be no assurance that compensation attributable to awards granted under the Amended and Restated 2013 Stock Incentive Plan and our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan will be treated as qualified performance-based compensation under Section 162(m). In addition, the Compensation Committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes such payments are appropriate and in the best interests of our company and stockholders.

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 or earned by our NEOs for each of the last three fiscal years during which the officer was an NEO.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Hari Ravichandran	2016	200,000	—	—	—	—	11,514(4)	211,514
Chief Executive Officer (Principal Executive	2015	618,846	—	35,365,478	—	—	11,334	35,995,658
Officer)	2014	750,000	—	—	—	750,000	10,900	1,510,900
Marc Montagner(5)	2016	468,269(6)	410,722(7)	3,125,002	1,874,995	—	11,514(4)	5,890,502
Chief Financial Officer (Principal Financial Officer)	2015	128,077	200,000	1,249,993	2,024,288	93,656	259,994	3,956,008
Ronald LaSalvia	2016	436,539(6)	—	3,937,498	2,624,995	—	11,514(4)	7,010,546
Former President and Chief	2015	400,000	—	1,000,007	1,634,134	214,500	11,334	3,259,975
Operating Officer	2014	400,000	200,000	—	—	—	10,900	610,900
Kathy Andreasen(8)	2016	350,000	115,501(9)	1,875,012	937,489	—	12,594(10)	3,290,596
Chief Administrative Officer	2015	343,269	—	500,003	817,062	150,938	11,334	1,822,606
Kenneth Surdan(11) *Chief Product Officer*	2016	335,650(11)	101,250(9)	750,005	749,994	72,304	9,380(12)	2,018,583

(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 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(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 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(3) Amounts in this column represent non-equity incentive plan compensation earned for the years shown based upon company and individual performance. The amounts paid under the 2016 MIP are shown in the "Bonus" column rather than in this column because the Compensation Committee exercised its discretion to fund the bonus pool under the 2016 MIP even though the company did not meet the threshold for bonus pool funding, as discussed on page 30 under "*Components of 2016 Executive Compensation Program—Annual Bonus—2016 Management Incentive Plan (MIP)*" above. The amount shown for Mr. Surdan represents a payment made to him under the 2016 CTCT Bonus Plan, as discussed on page 31 under "*Components of 2016 Executive Compensation Program—Annual Bonus—Constant Contact Bonus Plan*" above.

(4) Amount consists of matching contributions to our 401(k) retirement plan made by us on the named executive officer's behalf and premiums paid for an umbrella liability insurance policy and an associated $21 tax gross-up.

(5) Mr. Montagner joined us as Chief Financial Officer on September 15, 2015.

(6) Reflects increases in base salary effective April 4, 2016 (from $450,000 to $475,000 in the case of Mr. Montagner and from $400,000 to $450,000 in the case of Mr. LaSalvia).

(7) Amount consists of $200,000 paid to Mr. Montagner as the second installment of his sign-on bonus and $210,722 paid to Mr. Montagner under the 2016 MIP.

(8) Ms. Andreasen was not determined to be an NEO in 2014. Therefore, the Summary Compensation Table only includes compensation information for Ms. Andreasen for 2015 and 2016.

(9) Amount consists of a payment to the applicable named executive officer under the 2016 MIP.

(10) Amount consists of a wellness credit towards healthcare insurance, matching contributions to our 401(k) retirement plan made by us on Ms. Andreasen's behalf and premiums paid for an umbrella liability insurance policy and an associated $21 tax gross-up.

(11) Mr. Surdan joined us on February 9, 2016 in connection with our acquisition of Constant Contact.

(12) Amount consists of cellphone reimbursement and matching contributions to our 401(k) retirement plan made by us on Mr. Surdan's behalf.

2016 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, 2016.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)(2)	(#)(3)	($/sh)	($)(4)
Hari Ravichandran	— (5)										
Marc Montagner	—	175,602	351,203	526,805							
	2/16/16				89,286(6)	178,571(6)	223,214(6)				1,874,998
	4/28/16							112,613			1,250,004
	4/28/16								337,837	$11.10	1,874,995
Ronald LaSalvia	—	147,837	295,674	443,511							
	2/16/16				104,166(6)	208,333(6)	260,416(6)				2,187,494
	4/28/16							157,658			1,750,004
	4/28/16								472,972	$11.10	2,624,995
Kathy Andreasen	—	96,251	192,501	288,752							
	2/16/16				59,524(6)	119,048(6)	148,810(6)				1,250,004
	4/28/16							56,307			625,008
	4/28/16								168,917	$11.10	937,489
Kenneth Surdan	— (7)	84,375	168,750	253,125							
	— (8)	40,781	56,250	77,344							
	4/28/16							67,568			750,005
	4/28/16								135,134	$11.10	749,994

(1) The 2016 MIP was approved by the Compensation Committee in April 2016. These columns show the potential bonus payments for each NEO under the 2016 MIP as if the Original Targets established for 2016 had been achieved at the threshold, target or maximum levels. Mr. Surdan also participated in the 2016 CTCT Plan and for Mr. Surdan, these columns also show his potential bonus payments under the 2016 CTCT Plan as if the financial goals established for the first quarter of 2016 had been achieved at the threshold, target or maximum levels. The bonus payments under the 2016 MIP and the 2016 CTCT Plan could range from zero if the threshold level of financial performance is not achieved, to a maximum of 150% of the target. The payment made to Mr. Surdan under the 2016 CTCT Plan for the first quarter of 2016 is shown in the Summary Compensation Table above in the column titled "Non-Equity Incentive Plan Compensation." The payments made to our NEOs under the 2016 MIP are shown in the Summary Compensation Table in the column titled "Bonus" because the Compensation Committee exercised its discretion to fund the bonus pool under the 2016 MIP even though the company did not meet the threshold for bonus pool funding. See page 30 under "*Components of 2016 Executive Compensation Program—Annual Bonus—2016 Management Incentive Plan (MIP)*" above.

(2) Represents restricted stock awards or restricted stock unit awards, as applicable, that vest annually over a four year period beginning on the date of grant, with 25% vesting on the first anniversary of grant and another 25% vesting on each successive anniversary of that date.
(3) Represents stock options that vest over a four-year period beginning on the date of grant, with 25% vesting on the first anniversary of 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 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.
(5) Pursuant to Mr. Ravichandran's employment agreement, Mr. Ravichandran was not eligible for an annual bonus for 2016. See page 27 under "*Hari Ravichandran—2016 Compensation*" above.
(6) Represents the aggregate number of shares underlying the 2016 PRSA that may be earned if the threshold, target or maximum performance goals are achieved. For a description of the 2016 PRSAs, see page 32 under "*Components of 2016 Executive Compensation Program—Long-Term Incentives—Performance-Based Restricted Stock Awards*" above.
(7) Mr. Surdan was eligible to participate in the MIP effective April 1, 2016.
(8) Mr. Surdan participated in the 2016 CTCT Plan for the first quarter of 2016.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table sets forth information regarding outstanding stock awards held as of December 31, 2016 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)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)(1)
Hari Ravichandran	2,159,604	568,584(2)	12.00	10/25/23				
					100,369(3)	933,432		
					1,199,481(4)	11,155,173	2,494,272(5)	23,196,730
Marc Montagner	79,072	173,964(6)	14.82	9/15/25				
	—	337,837(7)	11.10	4/28/26				
					63,259(8)	588,309		
					112,613(9)	1,047,301		
					223,214(10)	2,075,890		
Ronald LaSalvia	175,528	46,211(11)	12.00	10/25/23				
	68,150	95,427(12)	18.34	4/30/25				
	—	472,972(7)	11.10	4/28/26				
					9,785(13)	91,001		
					40,895(14)	380,324		
					157,658(9)	1,466,219		
					260,416(10)	2,421,869		

	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)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)(1)
Kathy Andreasen . . .	117,010	30,816(11)	12.00	10/25/23				
	34,071	47,717(10)	18.34	4/30/25				
	—	168,917(7)	11.10	4/28/26				
					6,524(13)	60,673		
					20,448(14)	190,166		
					56,307(9)	523,655		
					148,810(10)	1,383,933		
Kenneth Surdan	17,776	—	5.39	6/20/19				
	20,550	—	3.69	12/4/19				
	—	135,134(7)	11.10	4/28/26				
					31,698(15)	294,791		
					9,725(16)	90,443		
					28,202(17)	262,279		
					16,114(18)	149,860		
					67,568(9)	628,382		

(1) Represents the fair market value of shares that were unvested as of December 31, 2016, based on the closing market price of $9.30 on December 30, 2016.

(2) These stock options vest in equal monthly installments over a four-year period beginning on October 25, 2013.

(3) Represents restricted stock units, or RSUs, which vest in equal monthly installments over a four-year period beginning on October 25, 2013. The common stock represented by these RSUs will not be delivered to Mr. Ravichandran until the earlier to occur of November 24, 2017, the closing of a change in control of the company, 30 days following his death or disability, or three days after the termination of his service with us.

(4) Represents the aggregate number of shares underlying Mr. Ravichandran's PRSA that were earned by Mr. Ravichandran through December 31, 2016. Mr. Ravichandran must remain employed by us through June 30, 2018 in order for the shares to vest, except in the following circumstances: Mr. Ravichandran's employment is terminated due to death or disability; we terminate Mr. Ravichandran's employment without cause or he resigns for good reason; or a change in control of our company occurs while Mr. Ravichandran is employed by us. Upon the occurrence of any of the foregoing events, the shares will vest immediately. For a description of the PRSA, see page 27 under "*Compensation Discussion and Analysis—2016 Executive Compensation—Hari Ravichandran—2016 Compensation*" above.

(5) Represents the remaining number of shares that may be earned by Mr. Ravichandran based on achievement of maximum performance pursuant to Mr. Ravichandran's PRSA. For a description of the PRSA, see page 27 under "*Compensation Discussion and Analysis—2016 Executive Compensation—Hari Ravichandran—2016 Compensation*" above.

(6) These stock options vest over a four-year period beginning on September 15, 2015, with 25% having vested on September 15, 2016 and the remainder vesting in equal monthly installments thereafter.

(7) These stock options vest over a four-year period beginning on April 1, 2016, with 25% vesting on April 1, 2017 and the remainder vesting in equal monthly installments thereafter.

(8) These restricted shares vest annually over a four-year period beginning on September 15, 2015, with 25% having vested on September 15, 2016 and 25% vesting on each successive anniversary of that date through September 15, 2019.

(9) These restricted shares or RSUs, as applicable, vest annually over a four-year period beginning on April 1, 2016, with 25% vesting on April 1, 2017 and 25% vesting on each successive anniversary of that date through April 1, 2020.

(10) As of December 31, 2016, the maximum level of the 2016 PRSA Performance Metric was met and upon Board confirmation and approval of the Performance Metric, the executive will earn the maximum number of shares subject to the award. The shares will vest on the Determination Date provided the executive is employed by us on such date. In the event of a change in control or if the executive's employment is terminated without cause or due to death or disability or he or she resigns for good reason prior to the Determination Date, a lesser number of shares will vest. For a description of the 2016 PRSAs, see page 32 under "*Compensation Discussion and Analysis—2016 Executive Compensation—Components of 2016 Executive Compensation Program—Long-Term Incentives*" above.
(11) These stock options vest over a four-year period beginning on October 25, 2013, with 25% having vested on October 25, 2014 and the remainder vesting in equal monthly installments thereafter.
(12) These stock options vest over a four-year period beginning on April 1, 2015, with 25% having vested on April 1, 2016 and the remainder vesting in equal monthly installments thereafter.
(13) These restricted shares vest annually over a four-year period beginning on October 25, 2013, with 25% having vested on October 25, 2014 and 25% vesting on each successive anniversary of that date through October 25, 2017.
(14) These restricted shares vest annually over a four-year period beginning on April 1, 2015, with 25% having vested on April 1, 2016 and 25% vesting on each successive anniversary of that date through April 1, 2019.
(15) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest on March 31, 2017.
(16) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest in four quarterly installments through December 6, 2017.
(17) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest on December 31, 2017.
(18) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest in eight quarterly installments through December 2, 2018.

2016 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, 2016.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
Hari Ravichandran	142,554(3)	1,328,476
Marc Montagner	21,086	182,394
Ronald LaSalvia	23,413	221,790
Kathy Andreasen	22,739	190,402
Kenneth Surdan	99,165(4)	532,525

(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 the Amended and Restated 2013 Stock Incentive Plan.
(2) Value determined by multiplying the number of vested shares by the closing market price of our common stock on the vesting date.
(3) Amount represents vested RSUs of which (i) 120,396 shares of common stock will not be delivered to Mr. Ravichandran until the earlier to occur of November 24, 2017, the closing of a change in control of the company, 30 days following his death or disability, or three days after the termination of his service with us and (ii) 22,158 shares of common stock were delivered to Mr. Ravichandran on October 30, 2016.
(4) In connection with our acquisition of Constant Contact, 25% of Mr. Surdan's unvested restricted stock units that we assumed as part of the acquisition were modified to accelerate vesting to February 9, 2016. Amount includes 45,553 shares acquired as a result of such accelerated vesting.

Employment and Compensation Arrangements with Named Executive Officers

Hari Ravichandran

Employment Agreement

We are party to an employment agreement with Mr. Ravichandran dated September 30, 2013. This agreement had an initial term of three years and then automatically renews for successive one-year terms, unless either we or Mr. Ravichandran 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. Other material terms of the agreement are summarized below.

Base Salary and Bonus

In September 2015, we and Mr. Ravichandran amended his employment agreement to reduce his base salary from $750,000 to $200,000 effective October 1, 2015, and to reduce his annual cash bonus with respect to calendar years 2015, 2016 and 2017 to zero unless otherwise determined by the Board or the Compensation Committee. Prior to this amendment, Mr. Ravichandran was entitled to receive an annual base salary of $750,000 and an annual bonus with a target opportunity of 100% of his base salary, with a maximum of 200% of his base salary.

The employment agreement, as amended, provides that Mr. Ravichandran's base salary will be reviewed for increase no later than June 30, 2018, which is the end of the Performance Period under the PRSA granted to him by our Compensation Committee and Board in September 2015. For more information regarding the PRSA and the amendment to the employment agreement, see page 27 under "*Hari Ravichandran—2016 Compensation*" above.

Payments upon Termination of Employment

If Mr. Ravichandran's employment is terminated without cause or he resigns his employment for good reason, as such terms are defined in his employment agreement, he is entitled under his employment agreement to the following severance payments:

- continued payment of his base salary for a period of 24 months;
- payment of an amount equal to two times the prior year's annual bonus (or if the termination occurs within the one-year period following a change in control, an amount equal to the greater of the prior year's annual bonus or his target annual bonus);
- a lump sum payment in an amount that, after applicable taxes, is equal to the monthly COBRA premium that Mr. Ravichandran would be required to pay to continue group health insurance coverage for a period of 18 months following his termination; and
- in the event that the termination occurs within the one-year period following a change in control, full acceleration of all unvested equity awards held by Mr. Ravichandran as of his termination date.

In order to receive these severance payments, Mr. Ravichandran 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.

In addition, if Mr. Ravichandran's employment is terminated due to death or disability, he (or his estate or beneficiaries) will be entitled to exercise any vested stock options until the earlier of 3 years following the termination date or the final date such options are exercisable by their terms.

See page 27 under "*Hari Ravichandran—2016 Compensation*" for a discussion of the treatment of his PRSA upon termination of employment or a change in control.

Marc Montagner

Employment Agreement

We are party to an employment agreement with Mr. Montagner dated August 3, 2015. Mr. Montagner's employment agreement has an initial term of two years, beginning on September 15, 2015, and then it 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 Bonuses; Relocation Benefits

Mr. Montagner's annual base salary is $475,000 and he is eligible to earn an annual bonus in accordance with the MIP, with a target opportunity of 75% of his base salary. Pursuant to his employment agreement, Mr. Montagner was also entitled to a sign-on bonus of $400,000 which was paid in two installments over 2015 and 2016, a relocation bonus of $250,000, and certain other relocation-related reimbursements.

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, 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.

See page 32 under *"Performance-Based Restricted Stock Awards*" for a discussion of the treatment of Mr. Montagner's 2016 PRSA upon termination of employment or a change in control.

Kathy Andreasen

Employment Agreement

We are party to an employment agreement with Ms. Andreasen dated February 22, 2016. Ms. Andreasen's employment agreement has an initial term of two years and then automatically renews for successive one-year terms, unless either we or Ms. Andreasen 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 Ms. Andreasen's employment agreement are summarized below.

Base Salary and Bonus

Ms. Andreasen's annual base salary is $350,000 and she is eligible to earn an annual bonus in accordance with the MIP, with a target opportunity of 60% of her base salary.

Payments upon Termination of Employment

In the event Ms. Andreasen is terminated without cause or resigns her employment for good reason (as such terms are defined in her employment agreement), she will be entitled to continued payment of 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, 18 months; and reimbursement on a monthly basis for the COBRA premiums that she would be required to pay to continue group health insurance coverage for a period of up to 18 months following her termination. In order to receive these severance payments, Ms. Andreasen 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 Ms. Andreasen's equity awards provide that in the event we undergo a change in control and her 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 her equity awards will vest in full as of her termination date.

See page 32 under *"Performance-Based Restricted Stock Awards"* for a discussion of the treatment of Ms. Andreasen's 2016 PRSA upon termination of employment or a change in control.

Ronald LaSalvia

Mr. LaSalvia resigned his position as our President and Chief Operating Officer effective March 1, 2017. From February 22, 2016 through February 28, 2017, Mr. LaSalvia had an employment agreement with us which had terms identical to Ms. Andreasen's employment agreement described above, except for base salary and target bonus percentage (which were $450,000 and 75%, respectively, for Mr. LaSalvia as of December 31, 2016). This agreement terminated upon Mr. LaSalvia's resignation as President and Chief Operating Officer. Mr. LaSalvia will remain employed with us in a senior leadership role within our web presence segment, and we expect to enter into a new employment agreement with Mr. LaSalvia that will modify his title, duties and responsibilities, base salary and annual bonus terms, but which will otherwise be substantially similar to his previous employment agreement.

The award agreements governing Mr. LaSalvia's equity awards (other than his 2016 PRSA) provide that in the event we undergo a change in control and his 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 equity awards will vest in full as of his termination date. See page 32 under *"Performance-Based Restricted Stock Awards"* for a discussion of the treatment of Mr. LaSalvia's 2016 PRSA upon termination of employment or a change in control.

Kenneth Surdan

Employment Agreement

We entered into an at-will offer letter agreement with Mr. Surdan on January 21, 2016, which established the initial terms of his employment with us upon the consummation of our acquisition of Constant Contact. The material terms of the offer letter are summarized below.

Base Salary, Bonus and Equity

Mr. Surdan's base salary is $375,000 per year. Pursuant to the terms of the 2016 CTCT Plan, Mr. Surdan was eligible to receive a target bonus of $56,250 for the first quarter of 2016. Mr. Surdan was eligible to participate in the MIP effective April 1, 2016 and his annual bonus target is 60% of his eligible base salary for the year.

Mr. Surdan's offer letter also provided for equity awards with an aggregate grant date fair value of $1.5 million. These grants were made in April 2016 and are reflected in the "2016 Grants of Plan-Based Awards" table above.

In addition, in connection with our acquisition of Constant Contact, 45,553 RSUs and 11,804 shares subject to options, which represented 25% of Mr. Surdan's unvested RSUs and options that we assumed as part of the acquisition, were modified to accelerate vesting to February 9, 2016. This modification did not result in any incremental fair value to these awards as computed in accordance with FASB ASC Topic 718. In connection with our acquisition of Constant Contact, we also assumed two of Mr. Surdan's RSU awards that originally vested based on the achievement of performance metrics. These awards were deemed earned at 100% of the target performance level but remain subject to vesting and forfeiture based on Mr. Surdan's continued employment through the last day of the original measurement period in the applicable award agreement.

Payments upon Termination of Employment

Mr. Surdan entered into an executive severance agreement with Constant Contact dated June 21, 2012. In connection with our acquisition of Constant Contact, we assumed the executive severance agreement and entered into a retention agreement with Mr. Surdan which amended certain provisions of the executive severance agreement. Mr. Surdan's executive severance agreement provides that in the event he is terminated without cause or he resigns his employment for good reason (as such terms are defined in the executive severance agreement, as amended), he will be entitled to continued payment of his base salary for a period of 12 months and reimbursement for COBRA premiums during such 12-month period. Mr. Surdan must sign a general release in favor of us in order to receive these severance payments. Our acquisition of Constant Contact constitutes good reason under the executive severance agreement, such that Mr. Surdan may terminate his employment for good reason at any time prior to April 7, 2017 and receive these payments.

Mr. Surdan's retention agreement also provides for a retention bonus to be paid within 30 days of April 7, 2017 if Mr. Surdan continues to be employed by us through April 7, 2017. However, if Mr. Surdan's employment is terminated without cause by us or by Mr. Surdan for good reason prior to April 7, 2017, he will be entitled to the retention bonus as of his termination date. The retention bonus will be calculated based on the value of Mr. Surdan's restricted stock unit awards and options that we assumed in connection with our acquisition of Constant Contact, provided that as of the valuation date the shares subject to the restricted stock unit awards have not been sold, other than to satisfy tax withholding obligations, and the options remain outstanding and unexercised. The retention bonus will be calculated as set forth below:

Retention bonus	=	Assumed Options multiplied by VWAP – Exercise Price	Plus	Assumed RSUs multiplied by VWAP	Minus	Assumed Options multiplied by Closing Price – Exercise Price	Minus	Assumed RSUs multiplied by Closing Price

The VWAP equals $9.00, and represents the volume weighted average price of our common stock for the ten trading day period prior to February 8, 2016, the day before the closing of our acquisition of Constant Contact. The Closing Price means the closing price of our common stock on the earlier of April 7, 2017 or Mr. Surdan's termination date.

Equity Acceleration upon a Change in Control

The award agreements governing Mr. Surdan's equity awards granted by us subsequent to our acquisition of Constant Contact provide that in the event we undergo a change in control and Mr. Surdan'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. The restricted stock units we

assumed in connection with our acquisition of Constant Contact were amended by Mr. Surdan's retention agreement and will vest in full as of his termination date in the event Mr. Surdan's employment is terminated without cause by us or by Mr. Surdan for good reason prior to April 7, 2017.

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 within twelve months of a change in control, or in the event of the NEO's death or disability. These amounts are calculated on the assumption that the employment termination and change in control both took place on December 31, 2016.

	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 Within 12 Months of a Change in Control			Benefits Payable Upon Termination due to Death or Disability
Name	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)(2)	Equity Acceleration ($)(2)	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)(2)	Equity Acceleration ($)(2)
Hari Ravichandran	400,000	32,273	11,155,173	22,085,333	400,000	32,273	12,088,605	22,085,333
Marc Montagner	831,250	32,273	1,665,277	1,660,710	1,306,250	32,273	3,300,886	1,665,277
Ronald LaSalvia	787,500	1,724	1,942,817	1,937,497	1,012,500	1,724	3,880,360	1,942,817
Kathy Andreasen	560,000	32,273	1,110,188	1,107,146	735,000	32,273	1,884,682	1,110,188
Kenneth Surdan	375,000	25,219	797,373	—	375,000	25,219	1,425,755	—

(1) Calculated based on the estimated cost to us of providing these benefits.

(2) Amounts represent the fair market value as of December 31, 2016 of any shares that would vest, based on the closing market price of $9.30 on December 30, 2016. 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 30, 2016.

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. Ravichandran, our Chief Executive Officer, does 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. 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:	
Committee chair	$20,000
Committee member (other than chair)	$10,000

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 attends in person during that calendar year. In 2016, 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 28, 2016, we granted each eligible director a restricted stock award under our Amended and Restated 2013 Stock Incentive Plan of 15,766 shares of our common stock. These shares 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 an additional equity grant during 2017.

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 serves.

2016 Eligible Director Compensation

The following table sets forth information regarding the compensation of our eligible directors for their service on our Board in 2016:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards(2) ($)	All Other Compensation ($)	Total ($)
Dale Crandall	100,000	175,003	—	—	275,003
Tomas Gorny	80,000	175,003	—	—	255,003
Michael Hayford	90,000	175,003	—	—	265,003
Peter Perrone	90,000	175,003	—	—	265,003

(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 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

(2) As of December 31, 2016, each of Mr. Crandall, Mr. Gorny, Mr. Hayford and Mr. Perrone held outstanding options to purchase 78,250 shares of our common stock.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016 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(1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	10,089,054(2)	$12.79	16,964,969(3)
Equity Compensation Plans Not Approved by Security Holders	3,405,485(4)	$ 8.73	9,278,088(5)
Total	13,494,539	$12.11	26,243,057

(1) Does not take into account the shares issuable pursuant to RSUs, which have no exercise price.

(2) Consists of 9,607,431shares subject to outstanding stock options and 481,623 shares issuable pursuant to RSUs granted in 2013 to Mr. Ravichandran, 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 1,931,830 shares subject to outstanding stock options and 1,473,655 shares issuable pursuant to outstanding 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 2, 2017, 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 2, 2017 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, Suite 300, 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	36.9%
FMR LLC(2)	19,351,233	13.6%
Investment funds and entities affiliated with Goldman Sachs(3)	15,378,619	10.8%
LLM LLC(4)	7,253,100	5.1%
Named Executive Officers and Directors		
Hari Ravichandran(5)	12,607,330	8.7%
Marc Montagner(6)	601,335	*
Ronald LaSalvia(7)	1,032,848	*
Kathy Andreasen(8)	479,035	*
Kenneth Surdan(9)	182,372	*
James C. Neary(10)	52,562,956	36.9%
Dale Crandall(11)	84,228	*
Joseph P. DiSabato(12)	15,378,619	10.8%
Tomas Gorny(13)	2,404,232	1.7%
Michael Hayford(11)	85,098	*
Peter J. Perrone(11)	99,228	*
Chandler J. Reedy(10)	52,562,956	36.9%
Justin L. Sadrian(10)	52,562,956	36.9%
All executive officers and directors as a group (14 persons)	85,092,663	58.2%

(1) Consists of (i) 38,748,221 shares of our common stock owned by Warburg Pincus Private Equity X, L.P. and (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. Charles R. Kaye and Joseph P. Landy are each managing general partners of WP and managing members and co-chief executive officers of WP LLC and may be deemed to control the Warburg Pincus entities. The WP X Funds, WP X LP, WP X GP, WPP GP, WP Partners, WP Partners GP, WP, WP LLC, Mr. Kaye and Mr. Landy have shared voting and investment control of all of the shares owned by the WP X Funds. WP Co-Invest, WP Partners, WP Partners GP, WP, Mr. Kaye and Mr. Landy have shared voting and investment control of all of the shares owned by WP Co-Invest. The business address of the Warburg Pincus entities is c/o Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017.

(2) Based on the Amendment No. 3 to Schedule 13G filed on February 14, 2017 by FMR LLC, a parent holding company of Fidelity Management & Research (Hong Kong) Limited and certain other investment adviser entities, and Abigail P. Johnson. In such filing, (i) FMR LLC discloses it has sole voting power over 482,600 shares of our common stock and sole dispositive power over 19,351,233 shares of our common stock and (ii) Ms. Johnson discloses she has sole dispositive power over 19,351,233 shares of our common stock. Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC, and through their ownership of voting common shares and a shareholders' voting agreement, members of the Johnson family may be deemed to form a controlling group with respect to FMR LLC. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(3) 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) 498 shares of our common stock owned by Goldman, Sachs & Co. ("GS"). GS is the investment manager for certain of the GS Entities; for a description of transactions between the Company and GS, see page 16 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, Joseph H. Gleberman, Thomas G. Connolly, John F. Daly, Joseph P. DiSabato, Elizabeth C. Fascitelli, Bradley J. Gross, Martin A. Hintze, Stephanie Hui, Adrian M. Jones, Michael E. Koester, Scott Lebovitz, Sanjeev Mehra, Kenneth A. Pontarelli, Sumit Rajpal, James H. Reynolds, Ankur Sahu and Andrew E. Wolff, through voting by the committee members. The business address of GS and the GS Entities is c/o Goldman, Sachs & Co., 200 West Street, New York, New York 10282.

(4) Based on the Schedule 13G filed on February 14, 2017 by LMM LLC. In such filing, LMM LLC discloses it has sole voting power over 7,253,100 shares of our common stock. The business address of LMM LLC is One South Street, Suite 2550, Baltimore, Maryland 21202.

(5) Includes 5,844,346 shares of our common stock directly owned by Mr. Ravichandran and an aggregate of 260,808 shares of our common stock held by the 2013 Ravichandran Family GST Trust and the Hari Ravichandran 2015 Grantor Retained Annuity Trust (together, the “Trusts”). Mr. Ravichandran has sole voting and dispositive power with respect to the shares held by the Trusts. Also includes 3,693,754 shares of our common stock that remain subject to vesting as of March 2, 2017, 421,386 shares of our common stock underlying restricted stock units that have vested as of March 2, 2017 or will become vested within 60 days of that date, and 2,387,036 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(6) Consists of 38,749 shares of our common stock that have vested as of March 2, 2017, 370,933 shares of our common stock that remain subject to vesting as of that date and 191,653 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(7) Consists of 209,854 shares of our common stock that have vested as of March 2, 2017, 415,709 shares of our common stock that remain subject to vesting as of that date and 407,285 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(8) Consists of 50,177 shares of our common stock that have vested as of March 2, 2017, 211,198 shares of our common stock that remain subject to vesting as of that date and 217,660 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(9) Consists of 59,240 shares of our common stock that have vested as of March 2, 2017, 51,022 shares of our common stock subject to restricted stock units that will vest within 60 days of March 2, 2017 and 72,110 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(10) 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. Charles R. Kaye and Joseph P. Landy are managing general partners of WP and managing members and co-presidents of WP LLC and may be deemed to control the Warburg Pincus entities.

(11) Includes 68,462 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

(12) 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.

(13) 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 68,462 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 2, 2017.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, officers and beneficial owners of more than 10% of our common stock to file reports of ownership and changes of ownership with the SEC on Forms 3, 4 and 5. We believe that during 2016, our directors, officers and beneficial owners of more than 10% of our common stock timely complied with all applicable filing requirements. In making these disclosures, we relied solely on a review of copies of such reports filed with the SEC and furnished to us and written representations that no other reports were required.

PROPOSAL 1

ELECTION OF DIRECTORS

Our 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 nine members, divided into three classes as follows:

- Class I consists of Michael Hayford, 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 2018 annual meeting; and
- Class III consists of Joseph DiSabato, James Neary and Hari Ravichandran, each with a term ending at the 2019 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. Messrs. Hayford, Perrone and Reedy are current directors whose terms expire at the Annual Meeting. Messrs. Hayford, Perrone and Reedy are each nominated for re-election as a Class I director, with a term ending in 2020.

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 2020, each such nominee to hold office until his successor has been duly elected and qualified. Each of the nominees has indicated his 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 MESSRS. HAYFORD, 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. As such, 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 generally account for a significant majority of our executives' compensation, which links executive and stockholder interests and reward executives for appreciation in our stock price.
- Mr. Ravichandran's compensation consists largely of performance-based restricted stock granted to him in 2015, which is earned based upon our achievement of specified free cash flow per share goals.
- 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, but allows the Compensation Committee to exercise discretion in order to motivate, recognize and retain our employees.
- 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.
- With very limited exceptions, we do not provide any benefits or perquisites to NEOs that are not also available to other employees.

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 in detail our executive compensation program, certain best practices that it features, and the decisions made by our Compensation Committee and our Board with respect to executive compensation for the year ended December 31, 2016.

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, 2017. This appointment is being presented to the stockholders for ratification at the Annual Meeting.

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, 2016, audit fees include amounts not yet billed of approximately $680,000.

Fee Category	2015	2016
Audit Fees(1)	$1,388,290	$2,144,816
Audit-Related Fees(2)	$ —	$ —
Tax Fees(3)	$ 947,975	$ 37,348
Total Fees	$2,336,265	$2,182,164

(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) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit and the review of our financial statements and which are not reported under "Audit Fees". We did not incur any audit-related fees for the fiscal years ended December 31, 2015 and December 31, 2016.

(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, 2015 and December 31, 2016, we incurred fees of approximately $775,812 and $15,413, respectively, for tax compliance and return preparation, and fees of approximately $172,162 and $21,935, 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, 2017. 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, 2017.

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 2018 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 2018, or the 2018 Annual Meeting, stockholder proposals must include the information set forth in our bylaws and be received at our principal executive offices no later than November 17, 2017. 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 April 26, 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 2018 Annual Meeting but not included in the proxy statement by January 26, 2018, but not before December 27, 2017. However, in the event the 2018 Annual Meeting is scheduled to be held on a date before April 6, 2018, or after June 25, 2018, 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 bylaws, and any proposals we do not receive in accordance with the above standards will not be voted on at the 2018 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, Suite 300, 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

FCF per Share as used in Ravichandran PRSA:

The following table shows the calculation and reconciliation to GAAP cash flow from operations of our actual results for free cash flow per share as defined in Mr. Ravichandran's PRSA for the completed periods indicated below. "PQ" and "PY" signify Performance Quarters and Performance Years, respectively, under the PRSA.

Adjusted revenue under 2016 MIP *(numbers in thousands, except for share and per-share numbers)*	**PQ Ended 9/30/2015**	**PQ Ended 12/31/2015**	**PQ Ended 3/31/2016**	**PQ Ended 6/30/2016**	**PY Ended 6/30/2016**	**PQ Ended 9/30/2016**	**PQ Ended 12/31/2016**
Cash flow from operations	$ 37,582	$ 43,414	$ 11,772	$ 53,843	$ 146,611	$ 36,189	$ 53,157
Less:							
Capital expenditures and capital lease obligations	(9,710)	(9,971)	(11,580)	(12,277)	(43,538)	(9,831)	(9,462)
Free cash flow (FCF)	$ 27,872	$ 33,443	$ 192	$ 41,566	$ 103,073	$ 26,358	$ 43,695
Plus:							
Transaction expenses and charges	1,124	1,332	35,367	1,548	39,371	1,411	113
Integration and restructuring expenses	7,099	5,545	4,837	10,116	27,597	6,135	692
Legal advisory expenses	725	16	993	1,664	3,398	953	1,694
FCF per PRSA agreement	$ 36,820	$ 40,336	$ 41,389	$ 54,894	$ 173,439	$ 34,857	$ 46,194
Outstanding shares	136,956,541	136,834,419	137,988,527	141,188,196	141,188,196	141,337,436	142,126,393
Less: Award Shares	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)
Outstanding shares per PRSA agreement	133,262,787	133,140,665	134,294,773	137,494,442	137,494,442	137,643,682	138,432,639
FCF per share per PRSA agreement	$ 0.28	$ 0.30	$ 0.31	$ 0.40	$ 1.26	$ 0.25	$ 0.33

Non-GAAP Metrics used in 2016 MIP Targets:

Adjusted revenue under 2016 MIP	FY 2016 $ (in millions)
Revenue	$1,111
Purchase accounting adjustment	20
Adjusted revenue under 2016 MIP	**$1,131**

Adjusted EBITDA under 2016 MIP	FY 2016 $ (in millions)
Net loss	$ (81)
Stock-based compensation	58
(Gain) loss on sale of property and equipment	1
(Gain) loss of unconsolidated entities	(1)
Amortization of other intangible assets	144
Amortization of deferred financing costs and original issue discounts	9
Impairment of other long-lived assets	9
Changes in deferred revenue	54
Impact of reduced fair value of deferred domain registration costs	—
Transaction expenses and charges	32
Integration and restructuring expenses	30
Legal advisory expenses	3
Depreciation	60
Income tax expense (benefit)	(110)
Interest expense, net (excluding impact of amortization of deferred financing costs and original issuance discounts)	143
Adjusted EBITDA under 2016 MIP	**$ 351**

Adjusted free cash flow under 2016 MIP	FY 2016 $ (in millions)
Cash flow from operations	$155
Less:	
Capital expenditures and capital lease obligations	(43)
Free cash flow	112
Plus:	
Transaction expenses and charges	35
Adjusted free cash flow under 2016 MIP	**$147**

Non-GAAP Metrics used in 2016 PRSA Targets:

Constant Contact adjusted revenue	FY 2016 $ (in millions)
Constant Contact pre-acquisition 2016 GAAP revenue	$ 41
Email marketing segment (Constant Contact) 2016 GAAP revenue	327
Purchase accounting adjustment	15
Constant Contact adjusted revenue	**$383**

Constant Contact adjusted EBITDA	FY 2016 $ (in millions)
Constant Contact pre-acquisition 2016 adjusted EBITDA	$ 8
Email marketing segment (Constant Contact) 2016 adjusted EBITDA	147
Allocation of overhead to email marketing segment (for segment reporting purposes)	(5)
Constant Contact adjusted EBITDA	**$150**

Constant Contact adjusted free cash flow	FY 2016 $ (in millions)
Constant Contact adjusted EBITDA (as calculated above)	$150
Cash paid for restructuring charges	(12)
Capital expenditures	(9)
Change in working capital (excluding restructuring accruals)	(9)
Constant Contact adjusted free cash flow	**$120**

BOARD MEMBERS AND EXECUTIVE TEAM

BOARD OF DIRECTORS

James C. Neary (Chairman)
Managing Director, Partner
Warburg Pincus

Hari Ravichandran
Chief Executive Officer
Endurance International Group

Dale Crandall
President and Founder
Piedmont Corporate Advisors

Joseph P. DiSabato
Managing Director
Goldman Sachs

Michael D. Hayford
Retired Chief Financial Officer
Fidelity National Information Services

Tomas Gorny
Chief Executive Officer and Chairman
Unitedweb

Peter J. Perrone
Chief Financial Officer
Percolate Industries, Inc.

Chandler J. Reedy
Managing Director, Partner
Warburg Pincus

Justin L. Sadrian
Managing Director, Partner
Warburg Pincus

EXECUTIVE OFFICERS

Hari Ravichandran
Chief Executive Officer

Marc Montagner
Chief Financial Officer

Kathy Andreasen
Chief Administrative Officer

David C. Bryson
Chief Legal Officer

John Orlando
Chief Marketing Officer

Kenneth J. Surdan
Chief Product Officer

To bring together technology, people, products, and data
to create solutions that (em)Power small business.

ENDURANCE
International Group