ENDURANCE
International Group

2017 ANNUAL REPORT

Notice of General Annual Meeting
of Shareholders & Proxy Statement

ENDURANCE
International Group

Endurance International Group Holdings, Inc. (NASDAQ:EIGI) (em)Powers millions of small businesses worldwide with products and technology to enhance their online web presence, email marketing, mobile business solutions, and more. The Endurance family of brands includes: Constant Contact, Bluehost, HostGator, Domain.com and SiteBuilder, among others. Headquartered in Burlington, Massachusetts, Endurance employs over 3,600 people across the United States, Brazil, India and the Netherlands.

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

DEAR FELLOW SHAREHOLDERS

We are pleased to have reported fiscal 2017 revenue of $1.18 billion and adjusted EBITDA of $350.8 million. We ended the year with over 5 million subscribers reflecting our market-leading position delivering web presence solutions and email marketing services to small and medium businesses. We reported cash from operations of $201.3 million, and free cash flow of $150.8 million, demonstrating the strong cash generation capability across our businesses.

Since joining Endurance in August, I've been pleased with the engagement and capabilities of the team. We have a high quality combination of market-leading brands and service offerings that provide a foundation for growth. We have an integrated operating plan for 2018 that positions us to focus on delivering increased value to our customers while simplifying our operations as we transform to operate at scale.

As we think about the future, we remain excited by the prospect of serving small and medium business customers. We have a history of success in this large web presence and online services market. With over 5 million subscribers, we see opportunities to build on our scale across multiple solutions and geographies. We will continue to invest in this dynamic market by focusing on delivering value to our customers with our multi-brand, multi-solution approach.

We could not serve these customers without the hard work and support of the over 3,600 employees across every function in the company. Their talent and their commitment to our goals will drive our success, and we are proud of their accomplishments. Every day, we are stronger and better as a company thanks to their continued contributions.

Finally, our shareholders have provided us a great deal of support over the years. We believe that our focus on execution of our 2018 plan will create value over time for all stakeholders. We thank you for your continued support and look forward to a successful year.

Yours very truly,

Jeffrey H. Fox
President and Chief Executive Officer

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

FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

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	☐
Emerging growth company	☐		

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

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

The aggregate market value of common stock held by non-affiliates of the registrant based on the closing price of the registrant's common stock as reported on the NASDAQ Global Select Market on June 30, 2017, was $515,396,394.

As of February 20, 2018 there were 141,618,231 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 2018 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, 2017, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our plans in 2018 to make investments across our business to enhance our product capabilities and user experience, and to simplify and integrate our operations;
- the anticipated results of such investments;
- expected decreases in our total subscriber count for 2018 and thereafter, and the factors driving such expected decreases;
- our planned approach to defending certain legal proceedings;
- trends in cost of revenue and gross profit;
- the impact on us of tax reform and new and recent accounting pronouncements; and
- competition.

These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to a number of risks, uncertainties and assumptions. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make as a result of a number of important factors. These important factors include our "critical accounting policies and estimates" described in Part II, Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*—Critical Accounting Policies and Estimates" and the factors set forth in Part I, Item 1A, "*Risk Factors*" and elsewhere in this Annual Report on Form 10-K. Our forward-looking statements do not reflect the potential impact of any settlements of pending legal proceedings or 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 5.051 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses.

All of our products and services fall into one of our three reportable segments, as follows:

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

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

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products and our SinglePlatform digital storefront solution.

Additional 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.

Our Market, Products and Services

SMBs represent a large and diverse market, both in the United States and internationally. According to the U.S. Small Business Administration, there were approximately 29.6 million small businesses in the United States in 2014. Of these small businesses, approximately 23.8 million were non-employer firms, or companies that do not have paid employees. In addition, a 2010 study by the International Finance Corporation and McKinsey & Company estimates that there are more than 420 million micro, small and medium enterprises (defined as one to 250 employees) worldwide.

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

Our offerings, which consist of both proprietary applications and third-party products, can be broadly grouped as follows: products that get SMBs online by providing an easy and cost-effective way to create an online presence; marketing solutions that help SMBs get found by increasing their online visibility and building customer loyalty; and services and applications such as dedicated processing power, collaboration tools and secure online payment services that help SMBs grow their business.

Getting SMBs Online:

Web Hosting and Builders. By providing a set of core products that combine storage, bandwidth and processing power, our entry-level shared hosting services enable subscribers to create an initial web presence quickly and cost-effectively. Our website building tools 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 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 12.9 million domains under management at December 31, 2017, 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.

Security. We offer malware protection solutions to help protect our subscribers' websites from viruses, malicious code and other threats. Our 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 Secure Socket Layer, or SSL, certificates that encrypt data collected on a subscriber's website.

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

Getting SMBs Found:

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

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

Social Media. We offer tools and services that enable our subscribers to communicate effectively with their customers and potential customers through social networks.

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

Helping SMBs Grow:

Email Marketing. Our email marketing solution allows small businesses and other organizations to easily create, send and track professional-looking email campaigns, allowing them to communicate effectively with their customers and potential customers via email. Email marketing services available to subscribers include building and segmenting mailing lists, designing and managing email newsletters, coupons, scheduling and sending email messages, and reporting and tracking the results of each campaign. We offer our email marketing solution on a stand-alone basis through our Constant Contact brand, and through bundled offerings that combine email marketing with other marketing offerings, including managing events online, conducting surveys and getting feedback, and marketing automation capabilities.

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.

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. We also offer our customers an integrated suite of email, collaboration, and file sharing tools.

E-commerce Enablement. As our subscribers grow their businesses and their need for e-commerce tools increases, we offer products that enable secure and encrypted payments, shopping carts, payment processing and related services and mobile payments.

Professional Services. We offer professional services and web design for subscribers who want a professionally created web presence.

SinglePlatform. Our SinglePlatform solution provides local businesses the ability to create and manage digital storefront listings and extend their online reach 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 numerous websites, social networks, directories, and mobile applications such as Yelp, Urbanspoon, Foursquare, YellowPages, TripAdvisor and others.

Sales & Marketing

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

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

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, partner relationships, outbound sales efforts, referrals from our customer base, general brand awareness and a link to our website in the footer of substantially all of the emails sent by our customers. We have partner relationships with over 10,000 local and national small business service providers. These partners refer customers to us through links on their websites and outbound promotions to their customers or allow us to market to their customers directly. Our television and radio advertising is designed to educate potential customers about our email marketing solutions and raise awareness of our brand.

Subscriber Support

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

Technology Platform and Infrastructure

Web Presence and Domain Segments

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

Email Marketing Segment

For our email marketing segment, we 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 email marketing customer base. In addition, because we have one central application, we believe we are able to scale our business to meet increases in demand for our products. We own all of the hardware deployed in support of our platform, except for SinglePlatform, which operates on a third party's infrastructure. 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 maintaining and 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 2015, 2016 and 2017 was $26.7 million, $87.6 million and $78.8 million, respectively, or approximately 3.6%, 7.9% and 6.7% of revenue, respectively.

Subscriber Profile

As of December 31, 2017, we had approximately 5.051 million subscribers, of which approximately 3.849 million were web presence subscribers, 0.683 million were domain segment subscribers and 0.519 million were email marketing segment subscribers. Based on data from a 2015 survey of subscribers of major brands in our web presence segment, we believe a majority of our web presence subscribers are SMBs, most of whom 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, restaurants, 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 21 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. For our web presence and domain segments, we expect continued competition, both domestically and internationally, from a number of sources, including: competitors in the domain, hosting and website builder markets such as GoDaddy, 1 and 1, Wix, Squarespace, Weebly, Web.com, and Wordpress.com; large companies like Amazon, Microsoft and Google, which offer web hosting or website builders, domain registration and other cloud-based services; and eBay and Facebook, which offer Internet marketing platforms. For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused lower-cost email marketing vendors, as well as additional competition from larger companies such as Microsoft. 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. See "*Risk Factors*" for additional discussion of competition as it pertains to our business.

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 recognizes the deferred revenue throughout the course of the year and beyond based on the term of the applicable subscription. This slight seasonality has a favorable impact on our operating cash flows in the early part of each fiscal year, and an unfavorable impact in the latter part of each fiscal year. We expect that this seasonality will continue.

Intellectual Property and Proprietary Rights

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

We use open source technologies pursuant to applicable licenses as the basis for our technology platform. We have also developed, acquired or licensed proprietary technologies for use in our business. As of January 17, 2018, 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 through years of use. In addition, we have a trademark and service mark enforcement program pursuant to which we monitor applications filed by third parties to register trademarks and service marks that may be confusingly similar to ours.

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

Third-party infringement claims are also possible in our industry, especially as functionality and features expand, evolve and overlap across industries. Third parties, including non-practicing patent holders, have claimed, and could claim in the future, that our processes, technologies or websites infringe patents they now hold or might obtain or that might be issued in the future. See “*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, 2017, we had 3,664 employees, including 2,049 in support and network operations, 695 in sales and marketing, 517 in engineering and development, and 403 in general and administrative. Excluded from our employee figures are approximately 1,300 individuals primarily located in India and the Philippines who are directly employed by third parties and perform a range of services for us, including email- and chat-based customer and technical support, billing support, network monitoring and engineering and development services. Most of our employees are based in the United States. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We have never experienced a strike or similar work stoppage, and we consider our relations with our employees to be good.

Corporate Information

Our business was founded in 1997 as a Delaware corporation under the name Innovative Marketing Technologies Incorporated. In December 2011, investment funds and entities affiliated with 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 common stock of Endurance International Group Holdings, Inc. to its partners in accordance with the limited partnership agreement of WP Expedition Topco. We have completed numerous acquisitions since inception, including the acquisition of Constant Contact, Inc. in February 2016.

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

Information Available on the Internet

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

ITEM 1A. Risk Factors

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

Risks Related to Our Business and Our Industry

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

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

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

Our total subscriber base decreased during the year ended December 31, 2017 and we expect that it will continue to decrease for the foreseeable future. Key factors contributing to the decrease in our subscriber base are 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 or the other factors listed above, we may not be able to return to or maintain positive subscriber growth in the future, which could have a material adverse effect on our business and financial results.

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

The cloud-based technology and online marketing 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 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, make our products effective for access and use on mobile devices, adapt our marketing practices or anticipate changing trends, we may be unable to continue to attract new subscribers or sell additional solutions to our existing subscribers. In addition, if existing technologies or systems, such as the domain name system 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 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 as well as potential new market entrants. Some of our competitors have greater marketing, engineering, product development and other resources, more brand recognition and consumer awareness, more diversified or better integrated product offerings, greater international scope or larger subscriber bases than we do, or may partner with large Internet companies that can offer these resources. As a result, we may not be able to compete successfully against them.

We have faced and expect to continue to face competition in our web presence and domain segments, both domestically and internationally, from competitors in the domain, hosting and website builder markets such as GoDaddy, 1 and 1, Wix, Squarespace, Weebly, Web.com and Wordpress.com, as well as from large companies like Amazon, Microsoft and Google, which offer web hosting or website builders, domain registration and other cloud-based services, and eBay and Facebook, which offer Internet marketing platforms. For our email marketing segment, we expect continued competition from MailChimp and other SMB-focused lower-cost email marketing vendors, as well as additional competition from larger companies such as Microsoft.

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 has benefited 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 “e-commerce,” are growing, which we believe has benefited 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 that meet specific subscriber needs to market. Accordingly, as this market continues to develop, the number of competitors may 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, have made and may continue to make it difficult for us to maintain our market position.

In addition, in an attempt to gain market share, competitors have and may continue to offer more aggressive price discounts or alternative pricing models, such as “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 have in the past required and may continue to require us to match these discounts and commissions in order to remain competitive, which could reduce our margins or cause us to fail to attract new subscribers that decide to purchase the discounted service offerings of our competitors.

Our business and operations have become increasingly complex over the past several years due to acquisitions and organizational change, which has and may continue to result in operational and other challenges.

As a result of acquisitions and internal growth, we increased our revenue from $629.8 million in the year ended December 31, 2014 to $1.2 billion in the year ended December 31, 2017. During this time period, we completed numerous acquisitions, including the acquisition of the Directi web presence business in January 2014, which significantly expanded our international operations, and the acquisition of Constant Contact in February 2016.

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

In particular, differences across our multiple billing systems have at times made it challenging for us to accurately and consistently determine certain enterprise-wide operational metrics, such as total subscribers. Total subscribers and other operational metrics, which we voluntarily disclose, historically have not been subject to the same level of reporting controls as our financial statements and other financial information we are required to disclose. Also, we have identified in the past, and may in the future identify, errors or bugs in the systems we use to generate operational metrics. We are working to improve our controls and processes for total subscribers and other operational metrics, but errors with respect to these metrics could still occur. Any errors, delays, inconsistencies in data reporting, or similar challenges could negatively impact our business decisions or lead to inaccurate disclosure, which could harm our operating results, our ability to operate our business and our investors’ view of us.

In 2018, we plan to make significant investments to improve our customer experience and integrate our business. Although we believe that these investments will position us for growth in the future, we will recognize most of the costs associated with these investments earlier than most of the anticipated benefits, and the return on these investments may be lower or may develop more slowly than we expect. If we do not achieve the benefits anticipated from these investments, if the achievement of these benefits is delayed, if we are otherwise not successful in simplifying our business or in managing our complexity effectively, our operating results may be negatively affected.

Our growth will be adversely affected if we cannot continue to successfully retain, hire, train and manage our key employees.

Our ability to successfully pursue our growth strategy will depend on our ability to attract, retain and motivate key employees across our business, particularly engineering and development employees and our senior executive team.

Our engineering and development team has undergone several management transitions and a significant amount of organizational change in recent years. These changes, combined with high demand from other technology companies for skilled engineering and technical employees, may make it more challenging to retain key employees or hire replacements if they leave. In addition, candidates making employment decisions, particularly in high-technology industries, often consider the value of any equity they may receive from prospective employers. As a result, any significant volatility in the market price of our common stock, or concerns by potential employees about the performance of our stock, may also contribute to these challenges.

We are also limited in our ability to recruit global talent for our U.S. offices by U.S. immigration laws, and the regulatory environment related to immigration under the current presidential administration may increase the likelihood that immigration laws may be modified in a way that further limits our ability to recruit globally.

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

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

We have experienced system, software, Internet, data center and customer support center failures and have not yet implemented a complete disaster recovery plan or a business continuity plan, and any interruptions, delays or failures in our services could harm our reputation, cause us to lose subscribers, or result in unanticipated costs.

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

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

Our systems supporting our web presence and domain segments are not fully redundant, and we have not yet implemented a complete disaster recovery plan or a 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 five U.S.-based data centers, one of which is owned by us and the rest of which are co-located, and accordingly, any failure or downtime in these data center facilities would affect a significant percentage of our subscribers. While we have a disaster recovery system that covers most of our email marketing subscribers, this system may not be able to recover all data and services in the event of a significant outage. We do not yet have adequate structures or systems in place to recover from a data center's severe impairment or total destruction, and recovery from the total destruction or severe impairment of any of our major data centers would be extremely difficult and may not be possible at all. Closing any of these data centers without adequate notice could result in lengthy, if not permanent, interruptions in the availability of our solutions and loss of vast amounts of subscriber data.

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

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

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

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

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

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

Security and privacy incidents or fraud may harm our business.

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

In addition, many states and countries in which we have subscribers have enacted regulations requiring us to notify 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 respond to the incident and enhance our controls, as well as potential penalties imposed by regulators, 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 access to our websites or our subscribers' websites, as well as attempts to place illegal or abusive content on our or our subscribers' websites. If we are unable to avert a DDoS or other attack for any significant period, we could sustain substantial revenue loss from lost sales and subscriber dissatisfaction. 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 or disclose our confidential information due to human error or technical issues, such violations or incidents may also put our information and our subscribers' information at risk and could in turn have an adverse effect on our business and reputation.

If an actual or perceived security breach occurs, the market's perception of our security measures could be harmed and we could lose sales and current and potential subscribers. 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. 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. The fines that we have incurred to date as part of this process have been insignificant, but if we are unable to complete the remediation process within the timeframes we have agreed upon with these parties, we may incur additional financial penalties, our payment networks may increase the processing fees they charge to us, or we may lose our ability to process credit cards, any of which could have a material adverse effect on our financial results. In addition, we may have difficulty negotiating competitive rates with payment networks for as long as the control gaps remain.

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

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

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

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

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

- our ability to cost-effectively attract, retain, and increase sales to subscribers;
- the impact of competition;
- the timing and success of introductions of new products or product enhancements;
- the amount and timing of our marketing expenditures;
- the amount and timing of capital expenditures or extraordinary expenses, such as litigation, regulatory or other dispute-related settlement payments (including, for example, any potential settlements of the pending legal proceedings described in *Item 3 - Legal Proceedings*);
- the mix of products we sell;
- higher than expected refunds to our subscribers;
- systems, data center and Internet failures, breaches and service interruptions;
- negative publicity about us or our brands;
- loss of key employees or difficulties recruiting new employees;
- the impact of changes in legislation or regulations, or to interpretations of existing legislation and regulations;
- litigation or governmental enforcement actions against us due to actual or alleged failures to comply with applicable laws or regulations;
- failures to comply with industry standards such as the payment card industry data security standards;
- interest rate fluctuations;
- terminations of, disputes with, or material changes to our relationships with third-party partners; and
- costs, integration problems, or other liabilities associated with past or future acquisitions, strategic investments or joint ventures.

In the past, we have from time to time reported financial results that were below our expectations and the expectations of equity research analysts and investors, and it is possible that this could occur again in one or more future periods, due to any of the factors listed above, a combination of those factors or other reasons. In that event, our stock price could decline substantially.

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

We market our solutions through various brands, including Bluehost, HostGator, iPage, Domain.com, 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 key brands, we could be at a competitive disadvantage to companies whose brands are, or become, more recognizable than ours. For instance, we believe that our business has been, and may continue to be, affected by the increasing tendency of consumers to search for web presence and marketing solutions using brand related search terms as opposed to unbranded search terms such as hosting, website builders or email marketing. We believe this trend has benefited competitors who have invested more heavily 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, particularly since a number of our competitors have invested heavily in their brands in the past and may be able to devote more resources than we can to brand awareness going forward.

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

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

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

Our ability to compete depends on our ability to offer products and services that enable our subscribers to establish, manage and grow their businesses. Our web presence and commerce offerings are predicated on the assumption that an online presence will continue to be an important factor in our subscribers' abilities to establish, expand, manage and monetize their businesses affordably. If we are incorrect in this assumption, for example due to the introduction of a new technology or industry standard (or evolution of existing technology such as social media or 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 solution 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 email providers to prevent unsolicited bulk email, or "spam," from overwhelming consumers' inboxes. If security problems become widespread or frequent or if email providers cannot effectively control spam, the use of email as a means of communication may decline as consumers find alternative ways to communicate. We could also be harmed if, in an attempt to limit unsolicited email, email providers restrict or limit emails sent by our customers using our email marketing solution. In addition, if alternative communications tools, such as social media, 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 solution and harm our business.

In addition, our business depends on the ability of our customers to access the Internet. The adoption of any laws or regulations adversely affecting the growth, popularity, accessibility or use of the Internet, including laws impacting Internet neutrality, could decrease the demand for our products, require us to make modifications to our products, or increase our operating costs. In December 2017, the Federal Communications Commission repealed rules adopted in 2015 that generally prohibited Internet service providers from charging some Internet content providers higher rates than others for the delivery of their content. With the repeal of these rules, Internet service providers could impose higher fees or deliver our content with less speed, reliability or otherwise on a non-neutral basis as compared to other market participants, which could adversely impact our business.

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

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

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

Our ability to offer domain name services to our subscribers depends on certain third-party relationships. For example, certain of our subsidiaries are accredited by ICANN and various domain name registries as a domain name registrar. If we fail to comply with domain name registry requirements or if domain name registry requirements change, we could lose our accreditation, be required to increase our expenditures, comply with additional requirements or alter our service offerings, any of which could have a material adverse effect on our business, financial condition or results of operations.

We also have relationships with product partners whose solutions, including shopping carts and security tools, we offer to our subscribers. Particularly in our email marketing segment, we rely on some of our partners to create integrations with third-party applications and platforms used by our subscribers. We may be unable to continue our relationship with any of these partners 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, which could harm our business and operating results.

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

We currently maintain offices and workforces, and conduct operations, primarily in the United States, Brazil, India and the Netherlands and have third-party support arrangements in India, China and the Philippines. We also have localized versions of our Bluehost and HostGator sites targeted to customers in several other countries. Conducting operations in international markets or establishing international locations subjects us to challenges that we have not generally faced in the United States, including:

- adapting our solutions and marketing practices to international markets, including translation into foreign languages;
- compliance with foreign laws, including more stringent laws in foreign jurisdictions relating to consumer privacy and protection of data collected from individuals and other third parties;
- difficulties in collecting payments from subscribers or in automatically renewing their contracts with us, especially due to the more limited availability and popularity of credit cards in certain countries;
- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- management, communication, compliance and integration problems resulting from cultural or language differences and geographic dispersion;
- sufficiency of qualified labor pools and greater influence of organized labor in various international markets;
- compliance by our employees, business partners and other agents with anti-bribery laws, economic sanction laws and regulations, export controls, and other U.S., foreign and local laws and regulations regarding international and multi-national business operations;
- potentially adverse tax consequences, including the complexities of foreign value added tax (or sales, service, use or other tax) systems, and our inadvertent failure to comply with all relevant foreign tax rules and regulations due to our lack of familiarity with the jurisdiction’s tax laws;
- restrictions and withholdings on the repatriation of earnings;
- foreign currency exchange risk;
- uncertain political, regulatory and economic climates in some countries, which could result in unpredictable or frequent changes in applicable regulations or in the general business environment that could negatively impact us; and

- reduced protection for intellectual property rights in some countries.

These factors have caused our international costs of doing business 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, and by privacy laws in other jurisdictions (such as the European Union's General Data Protection Regulation) that are generally more protective of subscriber data than U.S. law. Non-U.S. subscribers may decide that the privacy risks of storing data with a U.S.-based company outweigh the benefits and opt to seek solutions from a company based outside of the United States. In addition, certain foreign governments require local storage of their citizens' data. If we become subject to such requirements, it may require us to increase the number of non-U.S. data centers or servers we maintain, increase our costs or adversely affect our ability to attract, retain or cost-effectively serve non-U.S. subscribers.

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

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

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

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

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

We have had a net loss in each year since inception. We had a net loss attributable to Endurance International Group Holdings, Inc. of $25.8 million for fiscal year 2015, $72.8 million for fiscal year 2016 and $107.3 million for fiscal year 2017, 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 maintain, develop and expand our business. Our revenue and subscriber growth may be insufficient to achieve or maintain profitability in light of our expenditure levels. As further discussed in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations", our total subscriber base decreased during the year ended December 31, 2017, and revenue in our web presence and domain segments declined year over year. If we are not successful in addressing the factors that have contributed to these developments, we may not be able to either increase 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.

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

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

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

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

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

The terms of our existing co-located data center agreements vary in length and expire on various dates through 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. These agreements may not provide us with adequate time to transfer operations to a new facility in the event of early termination. If we were required to move our equipment to a new facility without adequate time to plan and prepare for such migration, we would face significant challenges due to the technical complexity, risk and high costs of the relocation. Any such migration could result in downtime or other disruptions to our services, which could damage our reputation, cause subscriber losses and harm our operating results and financial condition.

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

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

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

Form 10-K

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 are subject to laws and regulations related to privacy, data protection and information security. Our actual or perceived failure to comply with such obligations could harm our business, and changes in such regulations or laws could require us to modify our products or our marketing, market research and advertising practices.

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. The U.S. Federal Trade Commission, or FTC, and various U.S. state and local governments and agencies regularly use their authority under laws prohibiting unfair or deceptive marketing and trade practices to investigate and penalize companies for practices related to the collection, use, handling, disclosure, dissemination and security of personal data of U.S. consumers. Several foreign countries and governmental bodies, including the countries of the European Union, or 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.

From May 25, 2018, the EU-wide General Data Protection Regulation, or GDPR, will take effect, 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, increased requirements to erase an individual's information upon request and comply with other requests from individuals, mandatory data breach notification requirements, restrictions on automated decision-making and profiling, and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR also significantly increases penalties for non-compliance, including where we act as a service provider (e.g., controller or processor). In addition, we face uncertainty about how the requirements of the GDPR will coexist with our obligations as a registrar accredited by ICANN, since certain GDPR requirements may conflict with those of ICANN. If our privacy or data security measures fail to comply with applicable current or future laws and regulations, including if we fail to fully notify subscribers and prospective subscribers of our data processing activities, 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, whichever is higher, may be imposed.

Future data privacy laws or regulations, or modifications to existing laws or regulations, could impair our ability to collect, transfer and/or use subscriber information that we use to provide targeted advertising to our subscribers, 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, regulation of cookies, web beacons and similar technology for online behavioral advertising may lead to broader restrictions on our activities, including our collection and use online usage information in order to attract and retain customers. Such regulation may also increase the potential for civil liability under consumer protection laws. In addition, providers of major browsers have and may continue to include features that allow users to limit the collection of certain data about their Internet usage, which could also inhibit our ability to track and analyze user data.

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 help 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. In particular, under certain circumstances, we may be considered liable for non-compliance of our third-party partners with the GDPR or other privacy laws and regulations.

In addition, we collect personally identifiable data from our employees as part of our standard human resources procedures. This type of information is also subject to various laws and regulations in the jurisdictions where we operate, and it is possible that we or our third party contractors may not comply with applicable requirements, which could result in liability for us.

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 email providers, could require us to incur additional costs and restrict our business operations. 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.

We are subject to consumer protection laws that regulate our marketing practices and prohibit unfair or deceptive acts or practices. Our actual or perceived failure to comply with such obligations could harm our business, and changes in such regulations or laws could require us to modify our products, marketing or advertising efforts.

In connection with the marketing, telemarketing or advertisement of our products and services by us or our affiliates or referral partners, we could be the target of claims relating to false, misleading or deceptive advertising or marketing practices, including under the auspices of the FTC and state consumer protection statutes. 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. In the 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, e-commerce and distance selling regulation, advertising regulation, unfair competition rules or similar legislation.

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. 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 solution. Moreover, non-compliance with the CAN-SPAM Act carries significant financial penalties.

If we are found to have breached any consumer protection, e-commerce and distance selling, anti-spam, advertising, unfair competition laws or other laws or regulations in any country, including 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 us. This could also result in litigation, fines, penalties and adverse publicity that could cause reputational harm and loss of subscriber trust, which could have an adverse effect on our business.

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

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

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

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

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

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. The risk of patent litigation has been amplified by the increase in certain third parties, so-called "non-practicing entities," whose sole business is to assert patent claims and against which our own intellectual property portfolio may provide little deterrent value.

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

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

- cease selling or using solutions that incorporate the intellectual property that our solutions allegedly infringe;

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

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

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

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

We use open source software, 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, transmit or store content with us in violation of applicable law, third-party rights, or the subscriber's own policies, which could subject us to liability.

Several U.S. federal statutes 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 copyright infringing content posted by our subscribers or other third parties, provided that we follow the procedures for handling copyright infringement claims set forth in the DMCA. Generally, if we receive a proper notice from, or on behalf of, a copyright owner alleging infringement of copyrighted material located on websites we host, and we fail to expeditiously remove or disable access to the allegedly infringing material or otherwise fail to meet the requirements of the safe harbor provided by the DMCA, the copyright owner may seek to impose liability on us. We have in the past faced, and could in the future face, liability for copyright infringement due to technical mistakes in complying with the detailed DMCA take-down procedures.

- 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 proposed legislation now or in the future may reduce the immunity provided to us by the CDA, which could require us to develop or purchase tools that automatically screen for certain types of customer content, which would likely be expensive and time-consuming. Further, despite the CDA, 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. We could also be the target of negative publicity about these types of disputes or about our hosting of websites or facilitating of email messages containing objectionable content (including, for example, alleged terrorist or racist content), particularly since there has recently been increasing pressure on companies providing social media platforms and other technology companies to screen for and remove these types of content. Such publicity 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.

We could also face liability under the Stored Communications Act, or SCA, which generally regulates voluntary and compelled disclosures of stored wire and electronic communications and transactional records by electronic communication service providers and remote computing service providers, which we believe includes us. The SCA broadly prevents disclosure of such communications and records with certain exceptions. We regularly receive requests for customer data in the ordinary course of business from law enforcement, government entities or from civil subpoenas. While we have processes and procedures for responding to requests for customer data, we have in the past faced, and may in the future face, liability if we produce customer data in violation of the SCA. This could subject us to litigation, payment of damages, or reputational harm and take up management time and increase our costs of doing business.

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

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

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

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, could result in increased costs for us.

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

Our business activities are subject to various restrictions under U.S. export controls and trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, which prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities.

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

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

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 U.S. Foreign Corrupt Practices Act, or 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 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.

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

Current accounting rules provide that goodwill and other intangible assets with indefinite useful lives may not be amortized, but instead must be tested for impairment at least annually. These rules also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Additionally, a reorganization or change in the number of reporting units could result in the reassignment of goodwill between reporting units and may trigger an impairment assessment. We have substantial goodwill and other intangible assets, and we would be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined. Any impairment charges or changes to the estimated amortization periods could have a material adverse effect on our financial results. We recorded charges for impairment of goodwill and other intangible assets during 2016 and 2017, 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, 2017, we had approximately $2.0 billion of aggregate indebtedness, net of original issue discounts of $25.8 million and deferred financing costs of $37.7 million. Under our new first lien term loan facility entered into on June 14, 2017, which refinanced our prior first lien term loan facilities, we are required to repay approximately $8.5 million of principal at the end of each quarter and are required to pay accrued interest upon the maturity of each interest accrual period. We estimate that our interest payments on our new first lien term loan facility will be approximately $96.1 million for 2018. The interest accrual periods under our new first lien term loan facility and our 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 or three months in duration. The actual amounts of our debt servicing payments vary based on the amounts of indebtedness outstanding, whether we borrow on a LIBOR or base rate basis, the applicable interest accrual periods and the applicable interest rates, which vary based on prescribed formulas. We are also required to pay accrued interest on the Notes on a semi-annual basis. We paid approximately $38.1 million of interest on the Notes during the year ended December 31, 2017.

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

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

- incur additional debt;
- make restricted payments (including any dividends or other distributions in respect of our capital stock and any investments);

- sell or transfer assets;
- enter into affiliate transactions;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- take other actions.

As a result, we may be restricted from engaging in business activities that may otherwise improve our business or from financing future operations or capital needs. We are also required to comply with a financial covenant to maintain a maximum ratio of consolidated senior secured net indebtedness to an adjusted consolidated EBITDA measure. Failure to comply with the covenants, if not cured or waived, could result in an event of default that could trigger acceleration of our indebtedness, which would require us to repay all amounts owing under our Senior Credit Facilities and the 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 is subject to, among other things, the terms of any debt instruments of those subsidiaries then in effect, applicable law, prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. If transfers or other distributions from our subsidiaries to EIG Investors were eliminated, delayed, reduced or otherwise impaired, its ability to make payments on its obligations would be substantially impaired.

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

EIG Investors may not be able to repurchase the 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 our Senior Credit Facilities.

Upon the occurrence of specific kinds of change of control events, EIG Investors will be required under the indenture governing the 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, the terms of our Senior Credit Facilities and any of EIG Investors' future debt agreements may restrict EIG Investors 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 our Senior Credit Facilities. EIG Investors’ failure to repurchase the Notes upon a change of control would cause an event of default under the indenture governing the Notes and a cross-default under our Senior Credit Facilities. Our Senior Credit Facilities also provide that a change of control is an event default that permits lenders to accelerate the maturity of borrowings thereunder. Any of EIG Investors’ future debt agreements may contain similar provisions.

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

Risks Related to Ownership of Our Common Stock

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

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

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

Securities class action litigation is sometimes brought against companies that experience periods of volatility in the market price of their securities. 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; both lawsuits remain pending. In the future we may be the target of additional securities litigation related to volatility in our stock, which could result in substantial costs and divert management’s attention and resources from our business.

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

A substantial portion of our issued and outstanding common stock can be traded without restriction at any time, and the remaining shares of our issued and outstanding common stock can be sold subject to volume limitations and other requirements applicable to affiliate sales under the federal securities laws. As such, sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. In addition, we have registered 38,000,000 shares of common stock that have been issued or reserved for future issuance under our Amended and Restated 2013 Stock Incentive Plan and 14,346,830 shares of common stock that have been issued or reserved for future issuance under our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan. Of these shares, as of December 31, 2017, a total of 25,317,176 shares of our common stock are subject to outstanding options, restricted stock units and restricted stock awards, of which 14,661,394 shares are exercisable or have vested. The exercise of these options or the vesting of restricted stock units and shares of restricted stock and the subsequent sale of the common stock underlying such options or upon the vesting of such restricted stock units and restricted stock awards could cause a decline in our stock price. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. We cannot predict the size of future issuances or the effect, if any, that any future issuances may have on the market price for our common stock.

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

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

As of December 31, 2017, our directors, executive officers and their affiliates beneficially own, in the aggregate, 49.9% of our issued and outstanding common stock. Specifically, investment funds and entities affiliated with Warburg Pincus own, in the aggregate, 36.6% of our issued and outstanding common stock, and investment funds and entities affiliated with Goldman Sachs own, in the aggregate, approximately 10.7% of our issued and outstanding common stock. As a result, these stockholders, if they act together, could have significant influence over the outcome of matters submitted to our stockholders for approval. Our stockholders' agreement contains agreements among the parties with respect to certain matters, including the election of directors, and certain restrictions on our ability to effect specified corporate transactions. If these stockholders were to act together, they could have significant influence over the management and affairs of our company. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our common stock. In particular, the significant ownership interest of investment funds and entities affiliated with Warburg Pincus and Goldman Sachs in our common stock could adversely affect investors' perceptions of our corporate governance practices.

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

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

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

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

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

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

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

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

We do not currently anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we expect to retain any earnings to invest in our business. In addition, our ability to pay cash dividends is currently limited by the terms of our Senior Credit Facilities and the indenture governing the 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, 2017, we leased approximately 115,000 square feet of office space located in Burlington, Massachusetts, which serves as our corporate headquarters, under a lease that expires in March 2026.

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

- approximately 387,000 square feet of leased office space in the United States located primarily in Arizona, Ohio, Texas, Utah and Washington;
- approximately 60,000 square feet of leased office space outside of the United States located primarily in Brazil, China, India, 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 2,560 kilowatts of power under contract.

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

- approximately 87,000 square feet of leased office space outside of the United States located primarily in India; and

- leased and co-located data center space located primarily in Texas, India and Hong Kong, with approximately 400 kilowatts of power under contract.

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

- approximately 236,000 square feet of 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 (other than the SEC investigations reserve discussed below) 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 are also in discussions with the Boston Regional Office regarding a potential resolution of its investigation, and have reserved $8.0 million in connection with a potential resolution of both this investigation and the Constant Contact investigation discussed below. We can make no assurances as to whether the investigation will be resolved by agreement and/or 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 former chief executive officer and our former chief financial officer, captioned Machado v. Endurance International Group Holdings, Inc., et al., Civil Action No. 1:15-cv-11775-GAO. The plaintiff filed an amended complaint on December 8, 2015, and a second amended complaint on March 18, 2016. We moved to dismiss the second amended complaint, but before the court ruled on our motion, with our assent, the plaintiff filed a third amended complaint on June 30, 2017. In the third amended complaint, plaintiffs Christopher Machado and Michael Rubin allege claims for violations of Section 10(b) and 20(a) of the Exchange Act, and Sections 11, 12(a)(2), and 15 of the Securities Act, on behalf of a purported class of purchasers of our securities between October 25, 2013 and December 16, 2015, including persons or entities who purchased or acquired our shares pursuant or traceable to the registration statement and prospectus issued in connection with our October 25, 2013 initial public offering. The plaintiffs challenge as false or misleading certain of our disclosures about the total number of subscribers, average revenue per subscriber, the number of customers paying over $500 per year for our products and services, and the average number of products sold per subscriber. The plaintiffs seek, on behalf of themselves and the purported class, compensatory damages, rescissory damages as to class members who purchased shares pursuant to the offering and the plaintiffs' costs and expenses of litigation. We moved to dismiss the third amended complaint on August 29, 2017. The plaintiffs' memorandum in opposition to our motion to dismiss was filed on October 30, 2017, and our reply memorandum was filed on December 14, 2017. On January 12, 2018, the parties filed a joint motion to stay all proceedings pending the outcome of a mediation between the parties scheduled for February 23, 2018. 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 proceeding.

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. As discussed above, we are in discussions with the Boston Regional Office regarding a potential resolution of its investigation, and have reserved $8 million in connection with a potential resolution of both this investigation and the Endurance investigation discussed above. We currently expect that any settlement arising from the SEC investigation of Constant Contact will involve asserted scienter-based claims. In addition, we can make no assurances as to whether the investigation will be resolved by agreement and/or 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 sought 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, Constant Contact 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. Meanwhile, RPost asserted the same patents it asserted against Constant Contact in litigation against GoDaddy. In June 2016, GoDaddy succeeded in invalidating all of those RPost patents, with Endurance filing an amicus brief in the Federal Circuit in support of GoDaddy's position in November 2016. RPost's efforts to appeal, including filing a writ of certiorari with the United States Supreme Court, which was denied on December 11, 2017, were unsuccessful. All claims asserted by RPost against Constant Contact in December 2012 thus remain invalid except for one claim from one patent which RPost did not assert against GoDaddy. Constant Contact has notified RPost that Constant Contact believes the remaining claim is invalid in light of the other litigation that RPost lost. On December 12, 2017, Constant Contact moved to lift the stay in the District Court order to file a Motion for Judgment on the Pleadings invalidating all of the RPost patents-in-suit. While this motion was pending, RPost voluntarily dismissed all of its patent claims against Constant Contact and the defendant marketing partners of Constant Contact on December 29, 2017. On January 19, 2018, the district court entered an order dismissing the lawsuit.

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 an 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"), which named as defendants the former Constant Contact directors and Morgan Stanley & Co. LLC ("Morgan Stanley"), Constant Contact's financial advisor for the acquisition. The Amended Complaint generally alleged breach of fiduciary duty by the former directors, and aiding and abetting the alleged breach by Morgan Stanley. The Constant Contact defendants filed a motion to dismiss the Amended Complaint on December 15, 2016 and an opening brief in support of the motion to dismiss on March 17, 2017. Plaintiff Myers filed an opposition brief to the motion to dismiss on May 17, 2017, and the Constant Contact defendants' reply brief was filed on June 19, 2017. Oral argument took place on October 16, 2017 and the court gave the plaintiff 30 days to consider whether to withdraw the case or move forward and receive a decision on the motion to dismiss. On November 2, 2017, the court entered a Stipulation and Order dismissing the case.

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, 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
Year Ended December 31, 2017		
First Quarter	$ 9.85	$ 7.45
Second Quarter	$ 8.80	$ 6.20
Third Quarter	$ 9.35	$ 7.18
Fourth Quarter	$ 9.50	$ 7.65

Stockholders

As of January 31, 2018, there were approximately 33 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 2018 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.

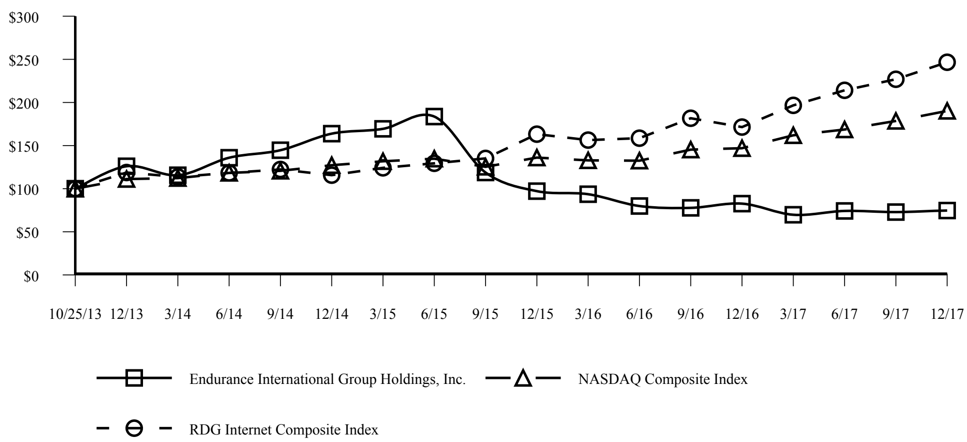
Stock Performance Graph

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, 2017. 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.

COMPARISON OF 50 MONTH CUMULATIVE TOTAL RETURN
Among Endurance International Group Holdings, Inc., the NASDAQ Composite Index, and the RDG Internet Composit Index



*$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	3/31/2017	6/30/2017	9/30/2017	12/31/2017
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	$ 69.78	$ 74.22	$ 72.89	$ 74.67
NASDAQ Composite Index	$100.00	$111.18	$112.27	$118.33	$120.71	$127.24	$131.81	$134.77	$125.36	$136.07	$132.86	$132.48	$145.28	$146.95	$161.91	$168.61	$178.54	$190.20
RDG Internet Composite Index	$100.00	$118.76	$113.69	$118.29	$122.31	$115.69	$124.20	$129.45	$135.12	$163.23	$156.35	$158.57	$181.70	$171.45	$196.64	$214.09	$226.89	$246.62

Item 6. Selected Consolidated Financial Data

The consolidated statements of operations data for the years ended December 31, 2015, 2016 and 2017, and the consolidated balance sheet data as of December 31, 2016 and 2017, 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, 2013 and 2014, and the consolidated balance sheet data as of December 31, 2013, 2014 and 2015, 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, 2013		Year Ended December 31, 2014		Year Ended December 31, 2015		Year Ended December 31, 2016		Year Ended December 31, 2017
	(in thousands, except per share and share information)								
Consolidated Statements of Operations Data:									
Revenue	$	520,296	$	629,845	$	741,315	$	1,111,142	$	1,176,867
Cost of revenue (1)		350,103		381,488		425,035		583,991		603,930
Gross profit		170,193		248,357		316,280		527,151		572,937
Operating expense:										
Sales and marketing		117,689		146,797		145,419		303,511		277,460
Engineering and development(4)		23,205		19,549		26,707		87,601		78,772
General and administrative (3)		92,347		69,533		90,968		175,379		164,745
Impairment of goodwill		—		—		—		—		12,129
Total operating expense (2)		233,241		235,879		263,094		566,491		533,106
Income (loss) from operations		(63,048)		12,478		53,186		(39,340)		39,831
Total other expense, net		(98,327)		(57,083)		(52,974)		(150,450)		(157,006)
Income (loss) before income taxes and equity earnings of unconsolidated entities		(161,375)		(44,605)		212		(189,790)		(117,175)
Income tax expense (benefit)		(3,596)		6,186		11,342		(109,858)		(17,281)
Loss before equity earnings of unconsolidated entities		(157,779)		(50,791)		(11,130)		(79,932)		(99,894)
Equity loss (income) of unconsolidated entities, net of tax		2,067		61		14,640		1,297		(110)
Net loss		(159,846)		(50,852)		(25,770)		(81,229)		(99,784)
Net loss attributable to non-controlling interest		(659)		(8,017)		—		(8,398)		7,524
Net loss attributable to Endurance International Group Holdings, Inc.	$	(159,187)	$	(42,835)	$	(25,770)	$	(72,831)	$	(107,308)
Net loss per share attributable to Endurance International Group Holdings, Inc. basic and diluted	$	(1.55)	$	(0.34)	$	(0.20)	$	(0.55)	$	(0.78)
Weighted average shares used to compute net loss per share attributable to Endurance International Group Holdings, Inc. basic and diluted		102,698,773		127,512,346		131,340,557		133,415,732		137,322,201

(1) Includes stock-based compensation expense of $126,000, $0.5 million, $2.0 million, $5.9 million and $6.1 million, for the years ended December 31, 2013, 2014, 2015, 2016, and 2017, respectively. Also includes amortization expense of $105.9 million, $102.7 million, $91.1 million, $143.6 million and $140.4 million for the years ended December 2013, 2014, 2015, 2016, and 2017, respectively. It also includes impairment of intangible assets of $18.7 million for the year ended December 31, 2017.
(2) Includes stock-based compensation expense of $10.6 million, $15.5 million, $27.9 million, $52.4 million and $53.9 million for the years ended December 31, 2013, 2014, 2015, 2016, and 2017, respectively.
(3) Includes transaction expenses of $38.7 million, $4.8 million, $9.6 million, $32.3 million, and $0.8 million for the years ended December 31, 2013, 2014, 2015, 2016, and 2017, respectively.
(4) Includes impairment of intangible assets of $9.0 million for the year ended December 31, 2016.

		2013		2014		2015		2016		2017
	(in thousands)									
Consolidated Balance Sheet Data:										
Cash and cash equivalents	$	66,815	$	32,379	$	33,030	$	53,596	$	66,493
Property and equipment, net		49,715		56,837		75,762		95,272		95,452
Working capital (deficit)		(160,511)		(274,726)		(370,335)		(362,677)		(359,222)
Total assets		1,580,938		1,746,043		1,802,500		2,756,274		2,601,086
Current and long-term debt, net of original issuance discounts and deferred financing costs (1)		1,046,945		1,086,475		1,092,385		1,986,980		1,892,245
Current and long-term capital lease obligations		—		8,095		13,081		7,202		15,349
Total stockholders' equity		155,262		174,496		179,674		124,383		83,005

(1) Net of deferred financing costs of $0.4 million, $0.4 million, $1.0 million, $43.3 million and $37.7 million for the years ended December 31, 2013, 2014, 2015 and 2016 and 2017, respectively, for the Company's retrospective adoption of ASU 2015-03: Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The years ended December 31, 2016 and 2017 are also net of original issuance discount of $25.9 million and $25.8 million, respectively.

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

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

Overview

We are a leading provider of cloud-based platform solutions designed to help small- and medium-sized businesses, or SMBs, succeed online. We serve approximately 5.051 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses.

All of our products and services fall into one of our three reportable segments, as follows:

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

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

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products and our SinglePlatform digital storefront solution.

Our 2017 financial results reflected a year of transition as we turned our focus to attracting subscribers with higher long-term revenue potential and on improving the product, customer support and user experience for key strategic brands. Changes in revenue, net loss and net cash provided by operating activities are summarized below (in thousands):

	Year Ended December 31, 2016	Year Ended December 31, 2017
Revenue	$ 1,111,142	$ 1,176,867
Net loss	$ (81,229)	$ (99,784)
Net cash provided by operating activities	$ 154,961	$ 201,273

- Revenue grew by 6% from 2016 due to higher revenue in our email marketing segment, which was driven primarily by a full year of Constant Contact revenue contribution in 2017 and the impact in 2016 of the write-down of Constant Contact deferred revenue to fair value as of the acquisition date, which we refer to as the Constant Contact purchase accounting adjustment. This increase in email marketing revenue offset revenue declines in the web presence and domain segments.
- Net loss widened in 2017 as compared to 2016, primarily due to lower income tax benefits and higher goodwill and other long-term asset impairment charges relative to 2016. These factors were partially offset by lower acquisition transaction costs and greater operating profits in our email marketing segment.
- Net cash provided by operating activities grew by 30%, and was positively impacted by cash flows from the email marketing segment as well as lower acquisition and restructuring related payments relative to 2016. Our growth in cash flows allowed us to make voluntary debt principal payments of $66.0 million in 2017, which were in addition to required debt principal payments of $34.4 million made during the year.

On December 22, 2017, the U.S. enacted the 2017 Tax Cuts and Jobs Act, or the 2017 Tax Act. Among other things, the 2017 Tax Act makes changes to U.S. federal tax rates; imposes significant additional limitations on the deductibility of interest; imposes additional limitations on the utilization of net operating losses and the deductibility of executive compensation; allows for the expensing of certain capital expenditures; makes a number of changes impacting operations outside of the United States (including, but not limited to, the imposition of a one-time tax on accumulated post-1986 deferred foreign income that has not previously been subject to tax); and modifies the treatment of certain intercompany transactions. We have substantially completed our analysis of the 2017 Tax Act, and determined that, in the near term, our non-cash deferred tax expenses will be favorably impacted due to the reduced tax rate, which led to a $16.9 million deferred tax benefit for fiscal year 2017, and our future deferred tax expenses associated with our net deferred tax liabilities will be reduced. Our longer-term current, or cash-based, income taxes will be unfavorably impacted by the disallowance of a portion of our interest expense, which will likely be partially offset by other provisions of the new law. We do not expect a meaningful change in our cash-based taxes in the next twelve months due to the net operating losses we have available to offset our U.S. taxable income.

Our total subscriber base decreased during 2017, due primarily to subscriber attrition in our non-strategic brands. These non-strategic brands are principally hosting brands, but also include our cloud backup brands and certain other products that we launched in in the past several years but have either discontinued or no longer actively market, which we refer to as "gateway" products. Subscriber counts are decreasing in these brands, and we are managing them to optimize cash flow rather than to acquire new subscribers. These brands had a negative impact on cash billings, changes in deferred revenue, revenue and subscriber growth in 2017. We expect total subscribers to continue to decrease for the foreseeable future.

We continue to be affected by competitive pressures across our business. In particular, we have seen increased competition for new subscribers through our marketing channels, which has resulted in higher costs to acquire new subscribers in 2017 as compared to 2016. Our focus in 2017 on acquiring subscribers with higher long-term revenue potential, which tend to be more expensive to acquire, has also contributed to increased subscriber acquisition costs.

In 2018, we plan to make engineering investments across our web presence, email marketing and domain businesses. We expect that these investments will focus primarily on enhancing our product capabilities and user experience. We also intend to invest in simplifying and integrating our operations in order to allow us to operate more effectively and efficiently.

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 table below summarizes total subscribers, ARPS and Adjusted EBITDA by segment for the periods presented (in thousands, except ARPS). For a discussion of free cash flow, see "*Liquidity and Capital Resources.*"

	Year Ended December 31,		
	2015	2016	2017
Consolidated metrics:			
Total subscribers	4,669	5,371	5,051
Average subscribers	4,358	5,283	5,211
Average revenue per subscriber	$ 14.18	$ 17.53	$ 18.82
Adjusted EBITDA	$ 219,249	$ 288,396	$ 350,814
Web presence segment metrics:			
Total subscribers	4,186	4,198	3,849
Average subscribers	3,972	4,233	4,024
Average revenue per subscriber	$ 12.52	$ 12.77	$ 13.29
Adjusted EBITDA	$ 194,611	$ 153,766	$ 158,187
Email marketing segment metrics:			
Total subscribers	—	544	519
Average subscribers	—	494	531
Average revenue per subscriber	$ —	$ 55.11	$ 62.92
Adjusted EBITDA	$ —	$ 116,261	$ 185,869
Domain segment metrics:			
Total subscribers	483	629	683
Average subscribers	386	556	656
Average revenue per subscriber	$ 31.22	$ 20.34	$ 16.98
Adjusted EBITDA	$ 24,638	$ 18,369	$ 6,758

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 2017, Adjustments had a net negative impact on our total subscriber count of approximately 700 subscribers, which consisted of net negative Adjustments of approximately 65,600 to core subscribers, offset by net positive Adjustments of approximately 64,900 to light web presence subscribers, which are further discussed below. For 2017 as a whole, Adjustments had a net positive impact of approximately 7,000 subscribers, as shown in the table below.

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

Domain segment subscribers mostly consist of customers who have a domain name subscription as well as a subscription to another product, such as domain privacy, or a basic hosting or email service that is bundled with their domain subscription. We refer to these subscribers, along with the non-hosting web presence segment subscribers discussed above, as "light web presence" subscribers. Light web presence subscribers generally have lower long-term revenue potential than other subscribers. As of December 31, 2017, we had a total of approximately 580,000 light web presence subscribers, a majority of which were associated with our domain segment. Also included as domain segment subscribers are hosting customers of our BigRock and HostGator India brands and certain other small web hosting brands that are under common management with our domain-focused brands.

The table below shows the approximate sources of changes in our total subscriber count by segment during 2016 and 2017 (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. Adjustments below are shown on a full year basis.

	Web Presence	Domain	Email Marketing	Total
	# subscribers	# subscribers	# subscribers	# subscribers
Total Subscribers - December 31, 2015	**4,186**	**483**	**—**	**4,669**
Acquisitions	86	—	566	652
Light web presence subscribers	—	62	—	62
Adjustments	(12)	71	—	59
Core subscriber growth	(62)	13	(22)	(71)
Total Subscribers - December 31, 2016	**4,198**	**629**	**544**	**5,371**
Acquisitions	—	—	—	—
Light web presence subscribers	16	18	—	34
Adjustments	(19)	26	—	7
Core subscriber growth	(346)	10	(25)	(361)
Total Subscribers - December 31, 2017	**3,849**	**683**	**519**	**5,051**

The decrease in total subscribers from 5.371 million at December 31, 2016 to 5.051 million at December 31, 2017 was driven primarily by subscriber losses in non-strategic brands in our web presence segment and, to a lesser extent, by subscriber losses in our email marketing segment. The decrease was partially offset by increases in light web presence subscribers in the domain and web presence segments, and by positive Adjustments in the domain segment, which were primarily related to light web presence subscribers.

The increase in total subscribers from 4.669 million at December 31, 2015 to 5.371 million at December 31, 2016 was primarily attributable to the acquisition of Constant Contact and other acquisitions during 2016. Positive Adjustments in the domain segment, which increased the number of light web presence subscribers, and other increases in light web presence subscribers within the domain segment also contributed. The increase was partially offset by core subscriber losses in the web presence segment.

We expect total subscribers to continue to decrease during 2018, due primarily to the impact of subscriber churn in non-strategic web presence brands.

Average Revenue per Subscriber

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

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

	Year Ended December 31,		
	2015	2016	2017
Consolidated revenue	$ 741,315	$ 1,111,142	$ 1,176,867
Consolidated total subscribers	4,669	5,371	5,051
Consolidated average subscribers for the period	4,358	5,283	5,211
Consolidated average revenue per subscriber (ARPS)	**$ 14.18**	**$ 17.53**	**$ 18.82**
Web presence revenue	$ 596,687	$ 648,732	$ 641,993
Web presence subscribers	4,186	4,198	3,849
Web presence average subscribers	3,972	4,233	4,024
Web presence ARPS	**$ 12.52**	**$ 12.77**	**$ 13.29**
Email marketing revenue	$ —	$ 326,808	$ 401,250
Email marketing subscribers	—	544	519
Email marketing average subscribers	—	494	531
Email marketing ARPS	**$ —**	**$ 55.11**	**$ 62.92**
Domain revenue	$ 144,628	$ 135,602	$ 133,624
Domain subscribers	483	629	683
Domain average subscribers	386	556	656
Domain ARPS	**$ 31.22**	**$ 20.34**	**$ 16.98**

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*. Our web presence and domain segments each earn revenue from domain-only customers. For our web presence segment, 0.8% of our fiscal year 2017 revenue was earned from domain only customers. For our domain segment, approximately 4.6% of our revenue for fiscal year 2017 was earned from domain only customers.
- *Domain monetization revenue*. This consists principally of revenue from our BuyDomains brand, which provides premium domain name products and services, and, to a lesser extent, revenue from advertisements placed on unused domains (often referred to as “parked” pages) owned by us or our customers. A significant portion of this revenue is associated with our domain segment.
- *Revenue from marketing development funds*. Marketing development funds are the amounts that certain of our partners pay us to assist in and incentivize our marketing of their products.

A portion of our revenue is generated from customers that resell our services. We refer to these customers as “resellers.” We consider these resellers (rather than the end user customers of these resellers) to be subscribers under our total subscribers definition, because we do not have a billing relationship with the end users and cannot determine the number of end users acquiring our services through a reseller. A majority of our reseller revenue is for the purchase of domains and is primarily related to our domain segment. Approximately 40% of domain segment revenue is earned from resellers. Reseller revenue earned by our web presence segment and our email marketing segment has been less than 5% and 1%, respectively, for all periods presented, and fluctuations in reseller revenue have not materially impacted ARPS for these segments.

Comparison of Year Ended December 31, 2016 and 2017: ARPS

For the years ended December 31, 2016 and 2017, consolidated ARPS increased from $17.53 to $18.82, respectively. This increase in ARPS was driven primarily by our email marketing segment, and to a lesser extent, a focus on higher lifetime revenue subscribers in our web presence segment. These increases in ARPS were partially offset by lower ARPS in our domain segment.

Web presence ARPS increased from $12.77 to $13.29 for the year ended December 31, 2017, primarily due to a shift in our marketing programs away from targeting subscribers for our lower priced gateway products, and towards targeting subscribers who have higher lifetime revenue potential. This shift in focus has resulted in a loss of subscribers of lower priced products, resulting in an overall increase in ARPS. Non-subscriber revenue, which includes domain monetization and marketing development funds, increased slightly from $8.4 million for the year ended December 31, 2016 to $8.5 million for the year ended December 31, 2017, causing ARPS to increase by $0.01. Light web presence subscribers, which generally purchase lower priced products, are less than 5% of total subscribers for this segment, and the increase in these subscribers during 2017 did not materially impact ARPS.

Email marketing APRS increased from $55.11 to $62.92 for the year ended December 31, 2017. This increase was primarily due to the Constant Contact purchase accounting adjustment during 2016, which represents the reduction of post-acquisition revenue from the write-down of deferred revenue to fair value as of the acquisition date. The Constant Contact purchase accounting adjustment reduced email marketing segment revenue during the year ended December 31, 2016 by $15.2 million and resulted in a negative impact on ARPS of $2.56. The remaining increase in ARPS was primarily attributable to additional purchases by existing subscribers, including price increases.

Domain APRS decreased from $20.34 to $16.98 for the year ended December 31, 2017. This decrease was primarily due to increases in light web presence subscribers, which generally acquire lower priced products. In addition, a decrease in non-subscriber revenue, including domain monetization and marketing development funds, from $30.1 million for fiscal year 2016 to $27.6 million for fiscal year 2017, decreased ARPS by $1.00.

Comparison of Year Ended December 31, 2015 and 2016: ARPS

Web presence ARPS increased from $12.52 to $12.77 for the year ended December 31, 2016 due primarily to a loss of subscribers of lower priced products, resulting in an overall increase in ARPS. This increase was partially offset by a decrease in non-subscriber revenue, including domain monetization and marketing development funds, from $11.7 million for 2015 to $8.4 million for 2016 which reduced ARPS by $0.08.

Email marketing ARPS was $55.11 for the year ended December 31, 2016, and was adversely impacted by the Constant Contact purchase accounting adjustment, 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.

Domain ARPS decreased from $31.22 to $20.34 for the year ended December 31, 2016. This decrease was primarily due to increases in light web presence subscribers, which generally acquire lower priced products. In addition, a decrease in non-subscriber revenue, including domain monetization and marketing development funds, from $40.4 million for fiscal year 2015 to $30.1 million for fiscal year 2016, decreased ARPS by $4.17. The decrease in non-subscriber revenue was primarily related to fewer high-value domains available for sale in our BuyDomains portfolio as compared to 2015.

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, impairment of other long-lived assets, and SEC investigations reserve (which refers to an $8.0 million reserve we recorded in the third quarter of 2017 in connection with ongoing discussions with the staff of the Securities and Exchange Commission ("SEC") to resolve potential claims arising from the investigations initiated against Endurance and Constant Contact in December 2015) . 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.

	Year Ended December 31,		
	2015	2016	2017
Consolidated	(in thousands)		
Net loss	$ (25,770)	$ (81,229)	$ (99,784)
Interest expense, net(1)	58,414	152,312	156,406

Income tax expense (benefit)	11,342	(109,858)	(17,281)
Depreciation	34,010	60,360	55,185
Amortization of other intangible assets	91,057	143,562	140,354
Stock-based compensation	29,925	58,267	60,001
Restructuring expenses	1,489	24,224	15,810
Transaction expenses and charges	9,582	32,284	773
(Gain) loss of unconsolidated entities(2)	9,200	(565)	(110)
Impairment of other long-lived assets	—	9,039	31,460
SEC investigations reserve	—	—	8,000
Adjusted EBITDA	**$ 219,249**	**$ 288,396**	**$ 350,814**

	Year Ended December 31,		
	2015	2016	2017
Web presence		(in thousands)	
Net loss	$ (34,049)	$ (24,382)	$ (70,375)
Interest expense, net(1)	56,663	68,617	67,491
Income tax expense (benefit)	12,756	(79,632)	2,575
Depreciation	31,947	33,590	37,634
Amortization of other intangible assets	83,106	72,733	60,277
Stock-based compensation	25,513	41,481	46,641
Restructuring expenses	1,210	1,625	9,131
Transaction expenses and charges	8,265	31,260	—
(Gain) loss of unconsolidated entities(2)	9,200	(565)	(110)
Impairment of other long-lived assets	—	9,039	600
SEC investigations reserve	—	—	4,323
Adjusted EBITDA	**$ 194,611**	**$ 153,766**	**$ 158,187**

	Year Ended December 31,		
	2015	2016	2017
Email marketing		(in thousands)	
Net loss	$ —	$ (55,857)	$ (10,615)
Interest expense, net(1)	—	81,469	86,914
Income tax expense (benefit)	—	(33,543)	5,152
Depreciation	—	23,747	13,912
Amortization of other intangible assets	—	64,679	74,467
Stock-based compensation	—	12,403	6,934
Restructuring expenses	—	22,379	5,581
Transaction expenses and charges	—	984	773
SEC investigations reserve	—	—	2,751
Adjusted EBITDA	**$ —**	**$ 116,261**	**$ 185,869**

	Year Ended December 31,		
	2015	2016	2017
Domain		(in thousands)	
Net income (loss)	$ 8,279	(990)	(18,794)
Interest expense, net(1)	1,751	2,226	2,001
Income tax expense (benefit)	(1,414)	3,317	(25,008)
Depreciation	2,063	3,023	3,639

Amortization of other intangible assets	7,951	6,150	5,610
Stock-based compensation	4,412	4,383	6,426
Restructuring expenses	279	220	1,098
Transaction expenses and charges	1,317	40	—
Impairment of other long-lived assets	—	—	30,860
SEC investigations reserve	—	—	926
Adjusted EBITDA	**$ 24,638**	**$ 18,369**	**$ 6,758**

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

(2) For all years presented, (gain) loss of unconsolidated entities is reported on a net basis, which includes our proportionate share of net (income) losses from unconsolidated entities, any (gain) loss recorded when we acquired our controlling interest in these entities and any impairments related to these entities. The loss on unconsolidated entities for the year ended December 31, 2015 was partially offset by a $5.4 million gain recorded upon our acquisition of a controlling interest in World Wide Web Hosting (Site5). The year ended December 31, 2016 includes an $11.4 million gain recorded upon our controlling interest in WZ (UK), Ltd., a loss of $4.8 million upon our acquisition of a controlling interest in AppMachine B.V., and a loss of $4.7 million on the impairment of our 33% equity investment in Fortifico Limited.

Comparison of the Years Ended December 31, 2016 and 2017: Net Income and Adjusted EBITDA

Net loss on a consolidated basis increased from $81.2 million for the year ended December 31, 2016 to $99.8 million for the year ended December 31, 2017. This increase in net loss was primarily due to an increased net loss from our web presence segment of $46.0 million and an increased net loss in our domain segment of $17.8 million. These increases in net loss were partially offset by a decrease in email marketing segment net loss of $45.3 million. Theses changes in segment net loss were significantly impacted by changes in income tax benefits, impairment charges, the SEC investigations reserve, and changes in stock-based compensation and restructuring charges, as described more fully below.

Net loss for our web presence segment increased from $24.4 million for the year ended December 31, 2016 to $70.4 million for the year ended December 31, 2017. The increase in net loss was primarily related to a decrease in our income tax benefit of $82.2 million, higher restructuring charges of $7.5 million, a $6.7 million decrease in revenue, higher stock-based compensation of $5.2 million and an allocation of the SEC investigations reserve of $4.3 million in 2017. These factors were partially offset by lower acquisition transaction costs of $31.3 million and lower marketing expense of $31.4 million as we reduced spending on our gateway products.

Net loss for our email marketing segment decreased from $55.9 million for the year ended December 31, 2016 to $10.6 million for the year ended December 31, 2017. The decrease was primarily related to lower costs as a result of the Constant Contact 2016 restructuring plan, including lower restructuring costs of $16.8 million, and the inclusion of Constant Contact for a full twelve months in fiscal year 2017.

Net loss for our domain segment increased from $1.0 million for the year ended December 31, 2016 to $18.8 million for the year ended December 31, 2017. This increase was primarily due to $30.9 million of impairment charges related to both goodwill and long-lived assets, increased net loss of $7.4 million related to our international expansion efforts, lower revenue of $2.0 million mainly related to domain monetization, increased stock-based compensation expense of $2.0 million, and an allocation of the SEC investigations reserve of $0.9 million. These factors were partially offset by an increased income tax benefit of $28.3 million.

Adjusted EBITDA on a consolidated basis increased from $288.4 million for the year ended December 31, 2016 to $350.8 million for the year ended December 31, 2017. Substantially all of this increase is attributable to our email marketing segment as described below.

Adjusted EBITDA for our web presence segment increased from $153.8 million for the year ended December 31, 2016 to $158.2 million for the year ended December 31, 2017. This increase was attributable to a $31.4 million decrease in sales and marketing expense, which primarily consisted of reduced expenditures on gateway products and other non-strategic brands. This was partially offset by a $6.7 million decline in revenue, increased engineering expense of $8.9 million, higher domain registration costs of $4.7 million and $3.9 million of costs to transition customer support formerly based in Utah to our Arizona customer support center, which we refer to as the "customer support consolidation."

Adjusted EBITDA for our email marketing segment increased from $116.3 million for the year ended December 31, 2016 to $185.9 million for the year ended December 31, 2017. This increase was primarily attributable to $15.7 million of revenue growth (which includes the impact of price increases), the negative $15.2 million impact of the Constant Contact purchase adjustment in 2016, and the inclusion of Constant Contact results for the entire year in fiscal year 2017, which increased adjusted EBITDA by $7.9 million. The remainder of the increase related mostly to cost reduction actions implemented during fiscal year 2016.

Adjusted EBITDA for our domain segment decreased from $18.4 million for the year ended December 31, 2016 to $6.8 million for the year ended December 31, 2017. This decrease was attributable to a $2.0 million decrease in revenue, most of which related to domain monetization, combined with a $7.4 million increase in net loss, which related primarily to our international expansion efforts.

Comparison of the Years Ended December 31, 2015 and 2016: Net Income and Adjusted EBITDA

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. This increase in net loss was primarily due to a $93.9 million increase in interest expense, incurred mainly to acquire Constant Contact, a $80.5 million increase in operating losses for our web presence segment, a $7.9 million increase in operating losses from our email marketing segment due to the acquisition of Constant Contact, and a $4.1 million increase in operating losses for our domain segment. The increase in operating losses for all of our segments were materially impacted by transaction costs incurred to acquire Constant Contact, increased stock-based compensation charges, increased restructuring charges primarily incurred to integrate Constant Contact, and impairment charges, as described more fully below.

Net loss for our web presence segment decreased from $34.0 million for the year ended December 31, 2015 to $24.4 million for the year ended December 31, 2016. This decrease was primarily due to the $79.6 million tax benefit recorded for the 2016 period as compared to the $12.8 million expense for the 2015 period, which resulted in a $92.4 million decrease in the web presence net loss, lower amortization expense of $10.4 million, reduced losses from unconsolidated entities of $9.8 million and improved operating profit from certain web presence products of approximately $16.0 million. These factors were partially offset by $59.0 million in net losses, which is net of revenue earned, to launch our new gateway products; $23.0 million of higher transaction costs to acquire Constant Contact; higher stock-based compensation expense of $16.0 million, mainly due to increased grants of awards; increased interest expense of $12.0 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 was attributable to our acquisition of Constant Contact.

Net income for our domain segment decreased from $8.3 million for the year ended December 31, 2015 to a net loss of $1.0 million for the year ended December 31, 2016. This decrease was primarily attributable to an increase in income tax expense of $4.7 million and a decrease in revenue of $9.0 million, mostly due to lower domain monetization revenue. These factors were partially offset by lower amortization of intangible assets of $1.8 million, lower acquisition transaction costs of $1.3 million, and lower depreciation expense of $1.0 million.

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 was 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 web presence segment decreased from $194.6 million for the year ended December 31, 2015 to $153.8 million for the year ended December 31, 2016. The decrease was primarily due to higher marketing investments, primarily related to our gateway products, which negatively impacted adjusted EBITDA by $55.1 million.

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 Constant Contact purchase accounting adjustment, 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 was primarily the result of cost reductions from the Constant Contact 2016 restructuring plan. The following table reflects the reconciliation of adjusted EBITDA to net loss calculated in accordance with GAAP 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 domain segment decreased from $24.6 million for the year ended December 31, 2015 to $18.4 million for the year ended December 31, 2016. The decrease was primarily due to a reduction in revenue from this segment, combined with an increase in general and administrative expense.

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 and domain segment sell 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.

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 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 expense due to the significance of the costs incurred to acquire Constant Contact. In 2017, we started breaking out impairment of goodwill due to the significance of the charge incurred in our domain segment.

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.

Engineering and Development

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

General and Administrative

General and administrative expense includes the cost of employees engaged in corporate functions, such as finance and accounting, 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.

Other Income (Expense)

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

Income Tax Expense (Benefit)

We estimate our income taxes in accordance with the asset and liability method, under 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.

Please see Note 2 of Part II, Item 8 of this Annual Report on Form 10-K for a discussion of recently issued accounting pronouncements.

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

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

Form 10-K

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. Web presence 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 coselling 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 $0.6 million and $0.5 million as of December 31, 2016 and 2017, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2016 and 2017 was $2.1 million and $1.8 million, respectively. Based on refund history, approximately 83% of all refunds happen in the same fiscal month that the customer contract starts or renews, and approximately 96% 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. 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. We have historically performed our annual goodwill test as of December 31st of each fiscal year. Our goodwill impairment test of our two reporting units as of December 31, 2016 followed a two-step process. In the first step, we compared 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 exceeded the carrying value of the net assets assigned to that reporting unit, goodwill was considered not impaired and we were not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeded the fair value of the reporting unit, then we performed 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 exceeded its implied fair value, then we recorded an impairment loss equal to the difference. As of December 31, 2016, the fair value of both of our reporting units exceeded their carrying values and, therefore, no impairment existed as of that date.

As a result of changes in our management structure during fiscal year 2017, including the change in our chief executive officer, we have revised our internal financial reporting structure, which has resulted in a change to our reporting units. We have identified a total of ten reporting units under our new structure. With the increase in reporting units, we determined that more time would be required to perform future goodwill impairment tests, and as a result, decided to accelerate our annual goodwill impairment test date to October 31st of each fiscal year, starting with the fiscal year 2017 test.

Before testing goodwill at October 31, 2017, we allocated assets and liabilities to their respective reporting units. Goodwill was allocated to each reporting unit in accordance with ASC 350-20-40, which requires that goodwill be allocated based on the relative fair values of each reporting unit. After completing this valuation process, we allocated goodwill to seven reporting units. We did not allocate any goodwill to three smaller reporting units that were determined to have no material fair value.

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

The fair value of each reporting unit is determined by the income approach. We also compared the fair value from the income approach to a market based approach to validate that the value derived from the income approach was reasonable. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk adjusted rate. We use our internal forecasts to estimate future after-tax cash flows and include an estimate of long-term future growth rates based on our view of long-term outlook for each reporting unit. Actual results may differ from those assumed in our forecasts.

We derive our discount rates using a capital asset pricing model and analyzing published rates for industries relevant to our reporting units to estimate the weighted average cost of capital. We use discount rates that are commensurate with the risks and uncertainty inherent in our business and in our internally developed forecasts. For fiscal year 2017, we used a discount rate of 10.0%, and also performed sensitivity analysis on our discount rates. For the market approach validation, we use a valuation technique in which values are derived based on valuation multiples from sales of comparable companies.

We have also early adopted the provisions of ASU 2017-4, which eliminates the second step of the goodwill impairment test. As a result, our goodwill impairment test as of October 31, 2017 includes only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired. Our goodwill impairment test as of October 31, 2017 resulted in a $12.1 impairment of goodwill to our domain monetization reporting unit within our domain segment. The impairment is a direct result of a more rapid decline in domain parking revenue than originally expected, and to a lesser extent, reduced sales of premium domain names. Goodwill for this reporting unit has been completely impaired. Goodwill allocated to the other six reporting units was not impaired.

Our goodwill as of December 31, 2017 is $1,850.6 million. Approximately $1,820.7 million of our goodwill relates to reporting units with a fair value that exceeds each reporting units carrying value by at least 20%. One of our reporting units, our domain.com reporting unit within our domain segment, has a goodwill balance of $29.9 million, and a fair value fair value that exceeds its carrying value by 6%. We have one reporting unit, our backup reporting unit that is within our web presence segment, that has a negative carrying value and has been allocated $2.3 million of goodwill.

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 year ended December 31, 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 Ltd, or 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 year ended December 31 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.

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

Derivative Instruments

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

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

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

Business Combinations

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

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

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

Depreciation and Amortization

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

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

Income Taxes

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

ASC 740 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. We measure recognized income tax positions at the largest amount that is more likely than not to be realized. We reflect changes in recognition or measurement in the period in which the change in judgment occurs. There were no unrecognized tax benefits in the years ended December 31, 2015 and 2016. We recorded unrecognized tax benefits for uncertain tax positions of $1.1 million in the year ended December 31, 2017.

We record interest related to unrecognized tax benefits in interest expense and penalties in operating expense. We recognized no interest or penalties related to unrecognized tax benefits during the years ended December 31, 2015 and 2016. We recognized immaterial interest and penalties related to unrecognized tax benefits during the year ended December 31, 2017.

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 had a statutory tax rate of 25% and represents $8.3 million of our foreign losses.

In 2017, a significant amount of our GAAP foreign losses were generated by our subsidiaries in India and the Netherlands. The foreign rate differential in 2017 predominantly related to our subsidiaries in the United Kingdom. Our foreign rate differential in 2017 had a positive impact on our expected tax expense since the majority of the foreign income is 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 the Netherlands that has a statutory rate of 25%.

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, 2017. Therefore, we determined the volatility for options granted by us based on an analysis of reported data for a peer group of companies that issued options with substantially similar terms. The expected volatility of options granted by us has been determined using a blended average of the historical volatility measures of this peer group of companies and of the historical volatility measures of our stock. The expected life assumption is based on the "simplified method" for estimating expected term as we do not have sufficient historical option exercises to support a reasonable estimate of the expected term. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. We use an expected dividend rate of zero as we currently have no history or expectation of paying dividends on our common stock.

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 required us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that included 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

From the fourth quarter of fiscal year 2016 through the third quarter of fiscal year 2017, we had two reportable segments, web presence and email marketing. We have experienced significant changes in our management structure during fiscal year 2017, including a change in our chief executive officer. Our leadership structure has been revised to centralize management of certain domain-leading brands in order to improve overall performance. As a result of these management changes, we have revised our internal financial reporting structure, and broken our former web presence segment into two reportable segments, web presence and domain. Our third reportable segment, email marketing, remains unchanged.

The products and services included in our three reportable segments are as follows:

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

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

Email Marketing. Our email marketing segment consists of Constant Contact email marketing tools and related products and our SinglePlatform digital storefront solution.

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

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,		
	2015	2016	2017
		(in thousands)	
Revenue	$ 741,315	$ 1,111,142	$ 1,176,867
Cost of revenue	425,035	583,991	603,930
Gross profit	316,280	527,151	572,937
Operating expense:			
Sales and marketing	145,419	303,511	277,460
Engineering and development	26,707	87,601	78,772
General and administrative	81,386	143,095	163,972
Impairment of goodwill	—	—	12,129
Transaction expenses	9,582	32,284	773
Total operating expense	263,094	566,491	533,106
Income (loss) from operations	53,186	(39,340)	39,831
Other income (expense)	(52,974)	(150,450)	(157,006)
Income (loss) before income taxes and equity earnings of unconsolidated entities	212	(189,790)	(117,175)
Income tax expense (benefit)	11,342	(109,858)	(17,281)
Loss before equity earnings of unconsolidated entities	(11,130)	(79,932)	(99,894)
Equity loss (income) of unconsolidated entities, net of tax	14,640	1,297	(110)
Net loss	$ (25,770)	$ (81,229)	$ (99,784)
Net loss attributable to non-controlling interest	—	(8,398)	7,524
Net loss attributable to Endurance International Group Holdings, Inc.	$ (25,770)	$ (72,831)	$ (107,308)

Comparison of the Years Ended December 31, 2016 and 2017

Revenue

	Year Ended December 31,		Change	
	2016	2017	Amount	%
		(dollars in thousands)		
Revenue	$ 1,111,142	$ 1,176,867	$ 65,725	6%

Revenue increased by $65.7 million, or 6%, from $1,111.1 million for the year ended December 31, 2016 to $1,176.9 million for the year ended December 31, 2017. Almost all of this increase, or $74.4 million, is attributable to increased revenue from our email marketing segment, partially offset by slight declines in revenue from our web presence and domain segments.

Our revenue is generated primarily from our products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing and other similar services. We also generate non-subscription revenue through premium domain sales and domain parking (which we refer to as domain monetization) and marketing development funds. Non-subscription revenue was unchanged at $39.4 million for the years ended December 31, 2016 and 2017, respectively, and represented 4% of total revenue for the year ended December 31, 2016, and 3% of total revenue for the year ended December 31, 2017.

Our web presence segment revenue decreased by $6.7 million, or 1%, from $648.7 million for the year ended December 31, 2016 to $642.0 million for the year ended December 31, 2017. This decrease was primarily attributable to a decline in revenue from non-strategic brands.

Our email marketing segment revenue increased by $74.4 million, or 23%, from $326.8 million for the year ended December 31, 2016 to $401.3 million for the year ended December 31, 2017. This increase was primarily due to the inclusion of Constant Contact revenue for an entire year in fiscal 2017, which increased revenue by $41.1 million, and to the negative $15.2 million impact of the Constant Contact purchase adjustment during 2016. Excluding these factors, revenue from our email marketing segment grew by approximately $18.1 million, which related to price increases and to a lesser extent, growth in services delivered to existing customers.

Our domain segment revenue decreased by $2.0 million from $135.6 million for the year ended December 31, 2016 to $133.6 million for the year ended December 31, 2017, primarily due to a reduction in domain monetization revenue.

Cost of Revenue

	Year Ended December 31,					
	2016		2017		Change	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Cost of revenue	$ 583,991	53%	$ 603,930	51%	$ 19,939	3%

Cost of revenue increased by $19.9 million, or 3%, from $584.0 million for the year ended December 31, 2016 to $603.9 million for the year ended December 31, 2017. This increase was primarily due to an $18.7 million impairment charge incurred in our domain segment and, to a lesser extent, to increased cost of revenue in our web presence segment. These factors were partially offset by decreased cost of revenue in our email marketing segment.

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. The following table sets forth the significant non-cash components of cost of revenue.

	Year Ended December 31,	
	2016	2017
	(in thousands)	
Amortization expense	$ 143,562	$ 140,354
Depreciation expense	48,120	46,235
Stock-based compensation expense	5,855	6,135

Cost of revenue for our web presence segment increased by $3.7 million, or 1%, from $339.6 million for the year ended December 31, 2016 to $343.3 million for the year ended December 31, 2017. The increase was due to numerous factors, including: increased support and restructuring costs in connection with the customer support consolidation, increased domain registration costs, and higher depreciation stock-based compensation, and data center costs. These costs increases were partially offset by lower amortization expense of $12.5 million.

Cost of revenue for our email marketing segment decreased by $7.3 million, or 5%, from $153.6 million for the year ended December 31, 2016 to $146.3 million for the year ended December 31, 2017. The decrease was attributable to approximately $14.4 million in cost savings as a result of the Constant Contact 2016 restructuring plan, decreased restructuring charges of $6.9 million and lower depreciation expense of $5.4 million, partially offset by higher amortization expense of $9.8 million and other net cost increases of $9.6 million, most of which were attributable to the inclusion of a full year of Constant Contact operations during the year ended December 31, 2017.

Cost of revenue for our domain segment increased by $23.6 million, or 26%, from $90.7 million for the year ended December 31, 2016 to $114.3 million for the year ended December 31, 2017. The increase was primarily due to an impairment charge of $18.7 million due to diminished cash flows from intangible assets, primarily domain monetization related assets, and increased support and data center costs, primarily due to our international expansion efforts.

Gross Profit

	Year Ended December 31,				Change	
	2016		2017			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
	(dollars in thousands)					
Gross profit	$ 527,151	47%	$ 572,937	49%	$ 45,786	9%

Gross profit increased by $45.8 million, or 9%, from $527.2 million for the year ended December 31, 2016 to $572.9 million for the year ended December 31, 2017. This increase was primarily due to an $81.7 million increase in the gross profit contribution from our email marketing segment, offset by $18.7 million in impairment charges relating to intangible assets in our domain segment, $5.1 million in increased support costs (including duplicate costs incurred due to our customer support consolidation), $4.7 million in increased domain registration costs and $1.7 million in increased data center costs. Our gross profit as a percentage of revenue increased by 2 percentage points from 47% for the year ended December 31, 2016 to 49% for the year ended December 31, 2017, mainly due to the performance of our email marketing segment.

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,	
	2016	2017
	(dollars in thousands)	
Revenue	$ 1,111,142	$ 1,176,867
Gross profit	527,151	572,937
Gross profit % of revenue	47%	49%
Amortization expense % of revenue	13%	12%
Depreciation expense % of revenue	4%	4%
Stock-based compensation expense % of revenue	*	*

* Less than 1%.

Our web presence segment gross profit decreased by $10.4 million from $309.1 million for the year ended December 31, 2016 to $298.7 million for the year ended December 31, 2017. The decrease was primarily due to incremental support costs from the customer support consolidation and increased domain registration, restructuring and stock-based compensation costs, offset by lower amortization of intangible assets. Our web presence gross profit as a percentage of revenue was 47% for the year ended December 31, 2017 as compared to 48% in the prior year.

Our email marketing segment gross profit increased by $81.7 million from $173.2 million for the year ended December 31, 2016 to $254.9 million for the year ended December 31, 2017. This increase was primarily due to the 2016 Constant Contact purchase accounting adjustment, which decreased revenue by $15.2 million in 2016, cost reductions implemented in fiscal year 2016 which resulted in $14.4 million of lower costs in fiscal year 2017, lower restructuring charges of $6.9 million, and lower depreciation expense of $5.4 million, with the balance of the increase relating primarily to the inclusion of Constant Contact for a full twelve months for fiscal year 2017.

Our domain segment gross profit decreased by $25.6 million from $44.9 million for the year ended December 31, 2016 to $19.3 million for the year ended December 31, 2017. This reduction was primarily due to the impairment charge of $18.7 million described above.

Operating Expense

	Year Ended December 31,				Change	
	2016		2017			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
			(dollars in thousands)			
Sales and marketing	$ 303,511	27%	$ 277,460	24%	$ (26,051)	(9)%
Engineering and development	87,601	8%	78,772	7%	(8,829)	(10)%
General and administrative	143,095	13%	163,972	14%	20,877	15 %
Impairment of goodwill	—	—%	12,129	1%	12,129	NA
Transaction expenses	32,284	3%	773	—%	(31,511)	(98)%
Total	$ 566,491	51%	$ 533,106	46%	$ (33,385)	(6)%

Sales and Marketing. Sales and marketing expense decreased by $26.1 million, or 9%, from $303.5 million for the year ended December 31, 2016 to $277.5 million for the year ended December 31, 2017. Of this decrease, $31.9 million was due to lower marketing expense in our web presence segment, primarily due to decreased marketing investments in gateway products, partially offset by an increase of $3.9 million and $1.7 million in our domain segment and email marketing segment, respectively.

Sales and marketing expense for our web presence segment decreased by $31.9 million, or 17%, from $192.6 million for the year ended December 31, 2016 to $160.7 million for the year ended December 31, 2017. This decrease was primarily attributable to reduced expense on gateway products, which was partially offset by increased investments in key hosting brands.

Sales and marketing expense for our email marketing segment increased by $1.7 million, or 2%, from $95.1 million for the year ended December 31, 2016 to $96.8 million for the year ended December 31, 2017. The increase in the marketing expense for this segment was primarily attributable to an increase of $16.4 million due to the inclusion of Constant Contact for the entire year during fiscal year 2017. This increase was partially offset by decreases of an aggregate of $8.3 million in depreciation, stock-based compensation, and restructuring expense, as well as $6.5 million in cost reductions resulting from the Constant Contact 2016 restructuring plan.

Sales and marketing expense for our domain segment increased by $4.1 million, or 26%, from $15.8 million for the year ended December 31, 2016 to $20.0 million for the year ended December 31, 2017. This increase was primarily attributable to $2.8 million of increased affiliate and pay-per-click marketing spend, primarily for our international operations, and higher labor costs of $0.9 million relating to our international operations.

Engineering and Development. Engineering and development expense decreased by $8.8 million, or 10%, from $87.6 million for the year ended December 31, 2016 to $78.8 million for the year ended December 31, 2017. Of this decrease, $13.5 million was due to decreased engineering and development expense for our email marketing segment, partially offset by increased expense for our web presence and domain segments.

Engineering and development expense for our web presence segment increased by $1.9 million, or 5%, from $37.3 million for the year ended December 31, 2016 to $39.2 million for the year ended December 31, 2017. This increase was primarily attributable to a shift in engineering resources from our email marketing segment to our web presence segment of $9.0 million, increased depreciation of $1.4 million, and other cost increases of $0.5 million, partially offset by $9.0 million of impairment charges in 2016 that did not recur in 2017.

Engineering and development expense for our email marketing segment decreased by $13.5 million, or 29%, from $46.9 million for the period ended December 31, 2016 to $33.4 million for the year ended December 31, 2017. This decrease was primarily attributable to cost reductions and engineering resource shifts to from our email marketing segment to our web presence segment, which together accounted for $14.8 million of the decrease. Additionally, restructuring charges declined by $3.5 million and depreciation declined by $2.1 million. These cost decreases were partially offset by the inclusion of Constant Contact for the entire year for fiscal year 2017.

Engineering and development expense for our domain segment increased by $2.7 million, or 79%, from $3.4 million for the year ended December 31, 2016 to $6.1 million for the year ended December 31, 2017. The increase was primarily attributable to our international expansion efforts during 2017.

General and Administrative. General and administrative expense increased by $20.9 million, or 15%, from $143.1 million for the year ended December 31, 2016 to $164.0 million for the year ended December 31, 2017. This increase was primarily attributable to the SEC investigations reserve of $8.0 million, increased restructuring costs of $6.1 million and an increase in stock-based compensation expense of $4.2 million.

General and administrative expense for our web presence segment increased by $14.7 million, or 18%, from $83.9 million for the year ended December 31, 2016 to $98.6 million for the year ended December 31, 2017. This increase was primarily due to increased stock-based compensation expense of $5.6 million, restructuring costs of $4.6 million, and an allocated charge of $4.3 million for the SEC investigations reserve.

General and administrative expense for our email marketing segment increased by $4.4 million, or 12%, from $38.1 million for the period ended December 31, 2016 to $42.5 million for the year ended December 31, 2017. This increase was primarily attributable to an allocated charge of $2.8 million for the SEC investigations reserve, an increase of $2.8 million due to the inclusion of Constant Contact for the entire year for fiscal year 2017, increased legal fees related to the SEC investigation of $1.4 million and increased restructuring charges of $0.8 million, partially offset by a decrease in stock-based compensation expense of $3.2 million.

General and administrative expense for our domain segment increased by $1.7 million, or 8%, from $21.1 million for the year ended December 31, 2016 to $22.8 million for the year ended December 31, 2017. This increase was primarily due to increased stock-based compensation of $1.9 million, an allocated charge of $0.9 million for the SEC investigation reserve and an increase in restructuring charges of $0.7 million. These increases in costs were partially offset by lower cost allocations to this segment.

Transaction Expenses. Transaction expense decreased by $31.5 million, or 98%, from $32.3 million for the year ended December 31, 2016 to $0.8 million for the year ended December 31, 2017. The year-over-year decrease was primarily attributable to costs related to our acquisition of Constant Contact in February 2016.

Impairment of Goodwill. We recorded an impairment of goodwill of $12.1 million during the year ended December 31, 2017, which was entirely attributable to the domain monetization reporting unit within our domain segment. The impairment was the result of a more rapid decline in domain parking revenue than originally anticipated, and to a lesser extent, a decrease in premium domain name sales.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2016	2017	Amount	%
	(dollars in thousands)			
Other expense, net	$ (150,450)	$ (157,006)	$ (6,556)	4%

Other expense, net increased by $6.6 million, or 4%, from $150.5 million for the year ended December 31, 2016 to $157.0 million for the year ended December 31, 2017. The increase primarily consists of immediately expensed deferred financing costs of $5.5 million and a loss on extinguishment of debt of $1.0 million, both arising from our 2017 Refinancing.

Income Tax Expense (Benefit)

	Year Ended December 31,		Change	
	2016	2017	Amount	%
	(dollars in thousands)			
Income tax benefit	$ (109,858)	$ (17,281)	$ 92,577	(84)%

For the years ended December 31, 2016 and 2017, we recognized an income tax benefit of $109.9 million and $17.3 million, respectively, in the consolidated statements of operations and comprehensive loss. The income tax benefit for the year ended December 31, 2017 was primarily attributable to $21.8 million in federal and state deferred tax benefit (which includes a $16.9 million tax benefit pertaining to the federal tax rate change as a result of the Tax Cut and Jobs Act of 2017 and the identification and recognition of $1.2 million of U.S. federal and state tax credits) and a foreign deferred tax benefit of $1.0 million, offset by a provision for federal and state current income taxes of $1.8 million, a reserve of $1.1 million for unrecognized tax benefits, and foreign current tax expense of $2.6 million.

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, 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 $1.111 million for the year ended December 31, 2016. Almost all of this increase, or $359.9 million, is attributable to revenue, including growth and synergies, from the acquisition 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 revenue is generated primarily from our products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing and other similar services. We also generate non-subscription revenue through domain monetization and marketing development funds. Non-subscription revenue 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 $52.0 million, or 9%, from $596.7 million for the year ended December 31, 2015 to $648.7 million for the year ended December 31, 2016. This increase includes $33.2 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 $18.8 million is attributable to other growth within this segment.

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

Our domain segment revenue decreased by $9.0 million, or 6%, from $144.6 million for the year ended December 31, 2015 to $135.6 million for the year ended December 31, 2016. This decrease includes $7.2 million from our BuyDomains brand, primarily because there were fewer high-value domains available for sale in our BuyDomains portfolio as compared to 2015. Of the remaining decrease of $1.8 million, $1.0 million is attributable to decreases in domain parking revenue.

Cost of Revenue

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

Form 10-K

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

Our web presence segment cost of revenue increased by $10.9 million, or 3%, from $328.7 million for the year ended December 31, 2015 to $339.6 million for the year ended December 31, 2016. This increase includes $19.9 million from the acquisitions of businesses that were not part of our business for all or most of the year ended December 31, 2015, increased stock-based compensation of $2.6 million, increased depreciation expense of $1.0 million and increased restructuring costs of $0.9 million. These cost increases were partially offset by a decrease in amortization expense of $10.4 million, with the balance of the offset related primarily to lower data center costs following our acquisition of Ace Data Center.

Our email marketing segment cost of revenue was $153.6 million for the period ended December 31, 2016 and is entirely attributable to the 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 revenue for the email marketing segment from fiscal year 2015 to fiscal year 2016 was primarily due to increased amortization expense of $63.1 million.

Our domain segment cost of revenue decreased by $5.6 million, or 6%, from $96.3 million for the year ended December 31, 2015 to $90.7 million for the year ended December 31, 2016. This decrease includes a $1.8 million decrease in amortization expense, $0.9 million of support cost reductions, and other cost decreases of $4.8 million, primarily related to lower domain registration costs. These factors were partially offset by an increase in depreciation expense of $0.9 million and an increase in restructuring charges of $0.1 million.

Gross Profit

	Year Ended December 31,				Change	
	2015		2016			
	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 was 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 $41.2 million from $267.9 million for the year ended December 31, 2015 to $309.1 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 48% for the year ended December 31, 2016 as compared to 45% 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 revenue 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 revenue for this segment for the period ended December 31, 2016.

Our domain segment gross profit decreased by $3.4 million from $48.3 million for the year ended December 31, 2015 to $44.9 million for the year ended December 31, 2016. The decrease was primarily due to a reduction in revenue, partially offset by lower amortization of intangible assets. Our domain gross profit as a percentage of revenue was 33% for the year ended December 31, 2016, the same as in 2015.

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 $63.1 million, or 49%, from $129.5 million for the year ended December 31, 2015 to $192.6 million for the year ended December 31, 2016. This increase was primarily attributable to expense for 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 was 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 was primarily due to cost reduction actions taken after the acquisition of Constant Contact.

Sales and marketing expense for our domain segment decreased by $0.1 million, or 1%, from $15.9 million for the year ended December 31, 2015 to $15.8 million for the year ended December 31, 2016. This decrease was primarily attributable to a slight reduction in labor costs.

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, with a slight increase attributable to our domain segment, as explained below.

Engineering and development expense for our web presence segment increased by $13.7 million, or 58%, from $23.6 million for the year ended December 31, 2015 to $37.3 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 also included stock-based compensation expense of $2.7 million and restructuring charges of $4.0 million.

Engineering and development expense for our domain segment increased by $0.3 million, or 10%, from $3.1 million for the year ended December 31, 2015 to $3.4 million for the year ended December 31, 2016. This increase was primarily attributable to labor cost increases.

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, $21.6 million was related to increased expense for our web presence segment, and the remaining balance of the increase, or $2.0 million, related to increased expense in our domain segment.

General and administrative expense for our web presence segment increased by $21.9 million, or 35%, from $62.0 million for the year ended December 31, 2015 to $83.9 million for the year ended December 31, 2016. This increase was primarily due to increased stock-based compensation of $2.7 million, additional costs of $4.3 million relating to companies acquired in 2015 and 2016, increased labor costs of $3.0 million, additional depreciation of $0.5 million, an additional $4.1 million in audit, tax and other professional costs, and additional legal fees of $2.3 million, principally related to expense for SEC investigations 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.

General and administrative expense for our domain segment increased by $1.7 million, or 9%, from $19.4 million for the year ended December 31, 2015 to $21.1 million for the year ended December 31, 2016. This increase was primarily due to increased legal fee allocations of $0.5 million and labor cost increases of $0.7 million.

Transaction Expenses. Transaction expense 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 year-over-year decrease 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 was 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	$ 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.

Liquidity and Capital Resources

Sources of Liquidity

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

In November 2013, we entered into a first lien term loan facility of $1,050.0 million. 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 (which replaced our previous revolving credit facility), and our wholly owned subsidiary, EIG Investors, issued $350.0 million aggregate principal amount of 10.875% senior notes due 2024. On June 14, 2017, we completed the 2017 Refinancing, which repaid both our first lien and incremental term loan facilities and replaced them with a new first lien term loan facility, which we refer to as the “2017 First Lien.” We refer to the 2017 First Lien and the new revolving credit facility as the “Senior Credit Facilities” and to the 10.875% senior notes due 2024 as the “Notes.”

Senior Credit Facilities

2017 First Lien. In connection with the 2017 Refinancing, we entered into the 2017 First Lien, which was issued at a price of 99.75% of par, had an original balance of $1,697.3 million and a maturity date of February 9, 2023. The 2017 First Lien automatically bears interest at the bank’s reference rate unless we give notice to opt for LIBOR based interest rate term loans. The interest rate for a LIBOR based interest rate term loan is 4.00% plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan is 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%. The 2017 First Lien requires quarterly mandatory repayments of principal. During the year ended December 31, 2017, we made three mandatory repayments of $8.5 million each, and voluntary prepayments of $66.0 million.

Revolving Credit Facility. Loans under our $165.0 million revolving credit facility will bear interest at a rate of 4.0% per annum (subject to a leverage-based step-down) plus the greater of an adjusted LIBOR and 0%. This revolving credit facility has a maturity date of February 9, 2021. This revolving credit facility had a "springing" maturity date of August 10, 2019, which is no longer applicable as a result of the 2017 Refinancing.

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).

In connection with the issuance of the Notes, we entered into a registration rights agreement with the initial purchasers of the Notes, which provides the holders of the Notes certain rights relating to registration of the Notes under the Securities Act. On January 30, 2017, we completed a registered exchange offer for the Notes, as required under the registration rights agreement. All of the $350.0 million aggregate principal amount of the original notes was validly tendered for exchange as part of this exchange offer. The registration rights agreement also obligated us to use reasonable efforts to cause to become effective a registration statement providing for the registration of certain secondary transactions in the Notes by Goldman, Sachs & Co. and its affiliates. This registration statement became effective on December 29, 2016.

As of December 31, 2017, we had cash and cash equivalents totaling $66.5 million and negative working capital of $359.2 million, which included the $33.9 million current portion of the 2017 First Lien. There was no balance outstanding on our revolving credit facility as of December 31, 2017. In addition, we had approximately $1,896.0 million of long term indebtedness, gross of deferred financing costs, outstanding under the 2017 First Lien and the Notes. We also had $452.9 million of short-term and long-term deferred revenue, which is not expected to be payable in cash.

Debt Covenants

2017 First Lien

The 2017 First Lien requires that we comply with a financial covenant to maintain a maximum ratio of consolidated net senior secured indebtedness to Bank Adjusted EBITDA (as defined below).

The 2017 First Lien 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. Additionally, the 2017 First Lien requires 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, 2017.

With the exception of certain equity interests and other excluded assets under the terms of the 2017 First Lien, substantially all of our assets are pledged as collateral for the obligations under the 2017 First Lien.

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 2017 First Lien requires 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 was required to be at or below 6.50 to 1.00 through December 31, 2016 and 6.25 to 1.00 from March 31, 2017 through December 31, 2017, and may not exceed 6.00 to 1.00 from March 31, 2018 and thereafter. As of December 31, 2017, we were in compliance with this covenant.

Our credit agreement defines the consolidated net 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, 2017, our secured net leverage ratio on a TTM basis was 4.24 to 1.00 and was calculated as follows:

	For the three months ended,				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	TTM
	(in thousands except ratios)				
Net (loss) income	$ (31,578)	$ (35,415)	$ (40,264)	$ 7,473	$ (99,784)
Interest expense	39,516	45,658	35,849	36,119	157,142
Income tax expense (benefit)	5,774	2,628	2,982	(28,665)	(17,281)
Depreciation	13,111	14,051	13,572	14,451	55,185
Amortization of other intangible assets	34,267	34,940	35,347	35,800	140,354
Stock-based compensation	12,924	16,245	19,580	11,252	60,001
Integration and restructuring costs	5,627	4,476	4,488	1,228	15,819
Transaction expenses and charges	580	193	—	—	773
(Gain) loss of unconsolidated entities	—	(39)	(33)	(38)	(110)
Impairment of long-lived assets	—	—	14,448	17,012	31,460
(Gain) loss on assets, not ordinary course	—	—	—	—	—
Legal advisory expenses	2,111	1,842	9,220	1,994	15,167
Billed revenue to GAAP revenue adjustment	15,130	1,123	(1,778)	(7,528)	6,947
Domain registration cost cash to GAAP adjustment	(2,177)	857	191	2,220	1,091
Currency translation	16	(63)	21	19	(7)
Bank Adjusted EBITDA	$ 95,301	$ 86,496	$ 93,623	$ 91,337	$ 366,757
Current portion of notes payable					$ 33,945
Current portion of capital lease obligations					7,630
Notes payable - long term					1,858,300
Capital lease obligations - long term					7,719
Original issue discounts and deferred financing costs					63,547
Less:					
Unsecured notes					(350,000)
Cash					(66,493)
Certain permitted restricted cash					(153)
Net senior secured indebtedness					$ 1,554,495
Net leverage ratio					4.24
Maximum net leverage ratio					6.50

Cash and Cash Equivalents

As of December 31, 2017, 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 $12.9 million from $53.6 million at December 31, 2016 to $66.5 million at December 31, 2017. Of the $66.5 million cash and cash equivalents we had at December 31, 2017, $21.8 million was held in foreign countries, and due to tax reasons, we do not plan to repatriate this cash in the near future. We used cash on hand at December 31, 2016 and cash flows from operations to purchase property and equipment, redeem a non-controlling interest of $25.0 million in WZ UK and to make our debt repayments on the 2017 First Lien and (prior to the 2017 Refinancing) our previous term loan and incremental term loan, as described under "Financing Activities" below. Our future capital requirements will depend on many factors including, but not limited to, our growth rate, our level of sales and marketing activities, the development and introduction of new and enhanced products and services, market acceptance of our solutions, potential settlements of legal proceedings, acquisitions, and our gross profits and operating expenses. We believe that our current cash and cash equivalents and operating cash flows will be sufficient to meet our anticipated working capital and capital expenditure requirements, as well as our required principal and interest payments under our indebtedness, for at least the next 12 months.

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

	Years ended December 31,		
	2015	2016	2017
		(in thousands)	
Purchases of property and equipment	$ (31,243)	$ (37,259)	$ (43,062)
Principal payments on capital lease obligations	(4,822)	(5,892)	(7,390)
Depreciation	34,010	60,360	55,185
Amortization	92,403	155,222	152,162
Cash flows provided by operating activities	177,228	154,961	201,273
Cash flows used in investing activities	(133,801)	(932,401)	(43,821)
Cash flows provided by (used in) financing activities	(41,632)	796,396	(146,705)

Capital Expenditures

Our capital expenditures on the purchase of property and equipment for the years ended December 31, 2016 and 2017 were $37.3 million and $43.1 million, respectively. The higher property and equipment expenditures in the year ended December 31, 2017 consisted primarily of an investment in data center and customer infrastructure, including internally developed software. In addition, during the years ended December 31, 2016 and 2017 we made principal payments of $5.9 million and $7.4 million, respectively, under capital leases for software. The remaining balance payable on the capital leases is $15.3 million as of December 31, 2017.

Depreciation

Our depreciation expense for the years ended December 31, 2016 and 2017 decreased by $5.2 million from $60.4 million to $55.2 million, respectively. This decrease was primarily due to a reduction in depreciation for our email marketing segment as certain assets became fully depreciated.

Amortization

Our amortization expense, which includes amortization of other intangible assets, amortization of deferred financing costs and amortization of net present value of deferred consideration, decreased by $3.0 million from $155.2 million for the year ended December 31, 2016 to $152.2 million for the year ended December 31, 2017. Of this decrease in amortization expense, $3.2 million related to lower amortization expense of intangible assets relating to businesses and assets acquired. In addition, $2.0 million of the decrease is attributable to lower amortization expense of net present value of deferred consideration, which is primarily the result of our Ace Data Center acquisition in September 2015, which was fully paid during the year ended December 31, 2016. These decreases were partially offset by an increase of $1.2 million relating to increased amortization of deferred financing costs and an increase of $0.9 million relating to amortization of original issue discounts related to our 2017 Refinancing and the 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 $201.3 million for the year ended December 31, 2017 compared with $155.0 million for the year ended December 31, 2016. Net cash provided by operating activities for the year ended December 31, 2017 consisted of net loss of $99.8 million, offset by non-cash charges of $282.2 million and a net change of

$18.9 million in our operating assets and liabilities. The net change in our operating assets and liabilities included an increase in deferred revenue of $8.2 million, which was $46.2 million less than in the same period in 2016. The increase in net cash provided by operating activities was the result of a reduction in Constant Contact acquisition and restructuring related payments, which favorably impacted the fiscal year 2017 period by $42.7 million. In addition, increased operating profit in our email marketing segment had a favorable impact on cash flow provided by operations. These increases in cash flow were partially offset by increased interest payments of $22.1 million as we incurred a full year of interest payments on the debt incurred to acquire Constant Contact.

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 a 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 related payments 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, and consisted of a 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 partially offset by other increases in our operating assets, primarily due to an increase in prepaid domain name registry fees.

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, 2017, we used $43.1 million of cash to purchase property and equipment and $2.0 million of cash to acquire intangible assets, net of proceeds of $0.5 million from asset disposals and a reduction of $0.7 million related to restricted cash.

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 for 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 Data Center and Ecommerce acquisitions. In addition, we used $8.5 million to make an additional investment in our joint venture with WZ UK. 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.

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

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 debt 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 refinanced 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 financing of the Constant Contact acquisition and $51.0 million of deferred consideration payments, the largest component of which was $31.4 million related to our 2015 Ace Data Center 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.

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,		
	2015	**2016**	**2017**
Cash flow from operations	$ 177,228	$ 154,961	$ 201,273
Less:			
Capital expenditures and capital lease obligations	(36,065)	(43,151)	(50,452)
Free cash flow	$ 141,163	$ 111,810	$ 150,821

Free cash flow increased from $111.8 million for the year ended December 31, 2016 to $150.8 million for the year ended December 31, 2017. This increase was attributable to lower Constant Contact related acquisition and restructuring payments of $42.6 million, and increased cash flow from our email marketing segment. These increases in free cash flow were partially offset by increased interest payments of $22.1 million as we incurred a full year of interest payments on the debt incurred to acquire Constant Contact, and by increased capital expenditures of $7.3 million.

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 was 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, 2017, we had NOL carry-forwards available to offset future U.S. federal taxable income of approximately $157.5 million and future state taxable income of approximately $128.5 million. These NOL carry-forwards expire on various dates through 2037. As of December 31, 2017, we had NOL carry-forwards in foreign jurisdictions available to offset future foreign taxable income by approximately $79.3 million. We have loss carry-forwards that begin to expire in 2021 in China totaling $0.7 million. We have loss carry-forwards that begin to expire in 2020 in the Netherlands totaling $12.5 million. We also have loss carry-forwards in the United Kingdom and Singapore of $13.2 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 our 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. 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 performed an analysis of the impact of these offerings and determined that no Section 382 change in ownership occurred as a result of either offering.

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, 2016 and 2017 was $444.4 million and $452.9 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 2017 included a quarterly principal repayment against the 2017 First Lien of $8.5 million per quarter, interest payments on the 2017 First Lien, which are typically three-month LIBOR loans, and interest payments on the 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, 2017:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Long-term debt obligations:					
Principal payments on term loan facilities and notes	$ 1,955,792	$ 33,945	$ 67,890	$ 67,890	$ 1,786,067
Interest payments on term loan facilities and notes (1)	764,817	135,155	278,759	269,612	81,291
Capital lease obligations	16,361	8,384	7,977	—	—
Operating lease obligations	127,960	21,526	39,845	29,977	36,612
Deferred consideration(2)	7,916	4,365	3,551	—	—
Purchase commitments	42,353	32,277	10,076	—	—
Total	$ 2,915,199	$ 235,652	$ 408,098	$ 367,479	$ 1,903,970

(1) Term loan facility interest rate is based on adjusted LIBOR plus 400 basis points for the 2017 First Lien, subject to a LIBOR floor of 1.00%. As of December 31, 2017, the interest rates on the 2017 First Lien and the Notes were 5.46% and 10.88%, respectively. The 2017 First Lien and the Notes mature on February 9, 2023, and February 1, 2024, respectively. Our revolving credit facility, which has no balance outstanding as of December 31, 2017, has a maturity date of February 9, 2021.

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

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Risk

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

Interest Rate Sensitivity

We had cash and cash equivalents of $66.5 million at December 31, 2017, 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, 2017, we had approximately $1,605.8 million of indebtedness outstanding under our 2017 First Lien, $350.0 million outstanding under the Notes and $0.0 million outstanding under a revolving credit facility of $165.0 million.

The 2017 first lien term loan facility automatically bears interest at the bank's reference rate unless we give notice to opt for LIBOR based interest rate term loans. The interest rate for a LIBOR based interest term loan is 4.00% plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan was 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, or 2.00%.

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).

Loans under the 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 new first lien term loan facility of $1,605.8 million as of December 31, 2017, a 100 basis point increase in the adjusted LIBOR above the LIBOR floor would result in a $16.2 million increase in our aggregate interest payments over a 12-month period, and a 100 basis point decrease at the current LIBOR rate would result in a $16.2 million 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 31 basis points above the rates at December 31, 2017, 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

Form 10-K

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Endurance International Group Holdings, Inc. (the "Company") as of December 31, 2016 and 2017, 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, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2016 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, 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 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

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

Boston, Massachusetts

February 22, 2018

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

	December 31, 2016	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 53,596	$ 66,493
Restricted cash	3,302	2,625
Accounts receivable	13,088	15,945
Prepaid domain name registry fees	55,444	53,805
Prepaid expenses and other current assets	28,678	29,327
Total current assets	154,108	168,195
Property and equipment—net	95,272	95,452
Goodwill	1,859,909	1,850,582
Other intangible assets—net	612,057	455,440
Deferred financing costs	4,932	3,189
Investments	15,857	15,267
Prepaid domain name registry fees, net of current portion	10,429	10,806
Other assets	3,710	2,155
Total assets	$ 2,756,274	$ 2,601,086
Liabilities, redeemable non-controlling interest and stockholders' equity		
Current liabilities:		
Accounts payable	$ 16,074	$ 11,058
Accrued expenses	67,722	79,991
Accrued interest	27,246	24,457
Deferred revenue	355,190	361,940
Current portion of notes payable	35,700	33,945
Current portion of capital lease obligations	6,690	7,630
Deferred consideration—short term	5,273	4,365
Other current liabilities	2,890	4,031
Total current liabilities	516,785	527,417
Long-term deferred revenue	89,200	90,972
Notes payable—long term, net of original issue discounts of $25,853 and $25,811, and deferred financing costs of $43,342 and $37,736, respectively	1,951,280	1,858,300
Capital lease obligations—long term	512	7,719
Deferred tax liability—long term	39,943	19,696
Deferred consideration—long term	7,444	3,551
Other liabilities	8,974	10,426
Total liabilities	2,614,138	2,518,081
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; 134,793,857 and 140,190,695 shares issued at December 31, 2016 and December 31, 2017, respectively; 134,793,857 and 140,190,695 outstanding at December 31, 2016 and December 31, 2017, respectively	14	14
Additional paid-in capital	868,228	931,033
Accumulated other comprehensive loss	(3,666)	(541)
Accumulated deficit	(740,193)	(847,501)
Total stockholders' equity	124,383	83,005
Total liabilities, redeemable non-controlling interest and stockholders' equity	$ 2,756,274	$ 2,601,086

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, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017
Revenue	$ 741,315	$ 1,111,142	$ 1,176,867
Cost of revenue	425,035	583,991	603,930
Gross profit	316,280	527,151	572,937
Operating expense:			
Sales and marketing	145,419	303,511	277,460
Engineering and development	26,707	87,601	78,772
General and administrative	81,386	143,095	163,972
Transaction costs	9,582	32,284	773
Impairment of goodwill	—	—	12,129
Total operating expense	263,094	566,491	533,106
Income (loss) from operations	53,186	(39,340)	39,831
Other income (expense):			
Other income (expense), net	5,440	1,862	(600)
Interest income	414	576	736
Interest expense	(58,828)	(152,888)	(157,142)
Total other expense—net	(52,974)	(150,450)	(157,006)
Income (loss) before income taxes and equity earnings of unconsolidated entities	212	(189,790)	(117,175)
Income tax expense (benefit)	11,342	(109,858)	(17,281)
Loss before equity earnings of unconsolidated entities	(11,130)	(79,932)	(99,894)
Equity loss (income) of unconsolidated entities, net of tax	14,640	1,297	(110)
Net loss	$ (25,770)	$ (81,229)	$ (99,784)
Net (loss) income attributable to non-controlling interest	—	(15,167)	277
Excess accretion of non-controlling interest	—	6,769	7,247
Total net (loss) income attributable to non-controlling interest	—	(8,398)	7,524
Net loss attributable to Endurance International Group Holdings, Inc.	$ (25,770)	$ (72,831)	$ (107,308)
Comprehensive loss:			
Foreign currency translation adjustments	(1,281)	(597)	3,091
Unrealized gain (loss) on cash flow hedge, net of taxes of $46, ($792), and $11 for the years ended December 31, 2015, 2016 and 2017	80	(1,351)	34
Total comprehensive loss	$ (26,971)	$ (74,779)	$ (104,183)
Net loss per share attributable to Endurance International Group Holdings, Inc. - basic and diluted earnings per share	$ (0.20)	$ (0.55)	$ (0.78)
Weighted-average number of common shares used in computing net loss per share attributable to Endurance International Group Holdings, Inc. - basic and diluted	131,340,557	133,415,732	137,322,201

See accompanying notes to consolidated financial statements.

Form 10-K

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, 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)
Investment in 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
Vesting of restricted shares	5,040,609	—	—	—	—	—
Exercise of stock options	356,229	—	2,049	—	—	2,049
Other comprehensive loss	—	—	—	3,125	—	3,125
Net loss attributable to non-controlling interest	—	—	277	—	—	277
Net loss attributable to Endurance International Group Holdings, Inc.	—	—	—	—	(107,308)	(107,308)
Stock-based compensation	—	—	60,479	—	—	60,479
Balance—December 31, 2017	140,190,695	$ 14	$ 931,033	$ (541)	$ (847,501)	$ 83,005

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017
Cash flows from operating activities:			
Net loss	$ (25,770)	$ (81,229)	$ (99,784)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation of property and equipment	34,010	60,360	55,185
Amortization of other intangible assets from acquisitions	91,057	143,562	140,354
Amortization of deferred financing costs	82	6,073	7,316
Amortization of net present value of deferred consideration	1,264	2,617	632
Amortization of original issuance discount	—	2,970	3,860
Impairment of long-lived assets	—	9,039	18,731
Impairment of investments	—	—	600
Impairment of goodwill	—	—	12,129
Stock-based compensation	29,925	58,267	60,001
Deferred tax expense (benefit)	7,120	(113,242)	(22,807)
Gain on sale of assets	(155)	(243)	(315)
Gain from unconsolidated entities	(5,440)	(1,862)	(110)
Loss of unconsolidated entities	14,640	1,297	—
Financing costs expensed	—	—	5,487
Loss on early extinguishment of debt	—	—	992
Dividend from minority interest	—	100	100
(Gain) loss from change in deferred consideration	1,174	(20)	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,659)	(1,620)	(3,102)
Prepaid expenses and other current assets	(13,187)	(4,932)	4,383
Accounts payable and accrued expenses	9,926	19,458	9,386
Deferred revenue	34,241	54,366	8,235
Net cash provided by operating activities	177,228	154,961	201,273
Cash flows from investing activities:			
Businesses acquired in purchase transaction, net of cash acquired	(97,795)	(889,634)	—
Purchases of property and equipment	(31,243)	(37,259)	(43,062)
Cash paid for minority investment	(8,475)	(5,600)	—
Proceeds from sale of assets	284	676	530
Proceeds from note receivable	3,454	—	—
Purchases of intangible assets	(76)	(27)	(1,966)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	50	(557)	677
Net cash used in investing activities	(133,801)	(932,401)	(43,821)

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

	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017
Cash flows from financing activities:			
Proceeds from issuance of term loan	—	1,056,178	1,693,007
Repayment of term loan	(10,500)	(55,200)	(1,797,634)
Proceeds from borrowing of revolver	147,000	54,500	—
Repayment of revolver	(130,000)	(121,500)	—
Payment of financing costs	—	(52,561)	(6,304)
Payment of deferred consideration	(14,991)	(51,044)	(5,433)
Payment of redeemable non-controlling interest liability	(30,543)	(33,425)	(25,000)
Principal payments on capital lease obligations	(4,822)	(5,892)	(7,390)
Proceeds from exercise of stock options	2,224	2,564	2,049
Capital investment from minority interest partner	—	2,776	—
Net cash provided by (used in) financing activities	(41,632)	796,396	(146,705)
Net effect of exchange rate on cash and cash equivalents	(1,144)	1,610	2,150
Net increase in cash and cash equivalents	651	20,566	12,897
Cash and cash equivalents:			
Beginning of period	32,379	33,030	53,596
End of period	$ 33,030	$ 53,596	$ 66,493
Supplemental cash flow information:			
Interest paid	$ 57,338	$ 119,063	$ 141,157
Income taxes paid	$ 4,510	$ 4,278	$ 3,369
Supplemental disclosure of non-cash financing activities:			
Shares or awards issued in connection with acquisitions	$ —	$ 5,395	$ —
Assets acquired under capital lease	$ 9,795	$ —	$ 15,536

See accompanying notes to consolidated financial statements.

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

1. Nature of Business

Formation and Nature of Business

Endurance International Group Holdings, Inc. (“Holdings”) is a Delaware corporation which together with its wholly owned subsidiary 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.

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

From the fourth quarter of fiscal year 2016, through the third quarter of fiscal year 2017, the Company had two reportable segments, web presence and email marketing. The Company has experienced significant changes in its management structure during fiscal year 2017, including a change in its chief executive officer, who is the Company's chief operating decision maker ("CODM"). The Company's leadership structure has been revised to centralize management of certain domain-leading brands in order to improve overall performance. As a result of these management changes, management has revised internal financial reporting structures, and broken the former web presence segment into two reportable segments, web presence and domains. The Company's third reportable segment, email marketing, remains unchanged.

The products and services included in each of the three reportable segments are as follows:

Web Presence. The web presence segment consists primarily of the Company's web hosting brands, such as Bluehost and HostGator, and related products such as domain names, website security, website design tools and services, and e-commerce products.

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

Email Marketing. The email marketing segment consists of Constant Contact email marketing tools and related products and the SinglePlatform digital storefront solution.

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

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 chargebacks, fees, or other items that may be charged back to the Company by credit card companies and other merchants, and collateral for certain facility leases.

Accounts Receivable

Accounts receivable is primarily composed of cash due from credit card companies for unsettled transactions charged to 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 approximates 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, 2015, 2016 and 2017, no subscriber represented 10% or more of the Company's total revenue. Additionally, as of December 31, 2016 and 2017, 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, 2015, 2016 and 2017, the Company capitalized internal-use software development costs of \$5.5 million, \$11.8 million and \$10.2 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 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*, the Company is required to review goodwill by reporting unit for impairment at least annually or more often if there are indicators of impairment present. A reporting unit is either the equivalent of, or one level below, an operating segment. During 2016, the Company determined that it had two reporting units. The Company has historically performed its annual goodwill test as of December 31st of each fiscal year. The goodwill impairment test for the Company’s two reporting units as of December 31, 2016 followed a two-step process. In the first step, the Company compared the fair value of each reporting unit to its respective 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 no further testing is required. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then a second step is performed 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 an impairment loss equal to the difference is recorded. As of December 31, 2016, the fair value of both of reporting units exceeded their carrying values and, therefore, no impairment existed as of that date.

As a result of changes in the Company’s management structure during fiscal year 2017, including the change in its chief executive officer / CODM, the Company has revised its internal financial reporting structure, which has resulted in a change to its reporting units. The Company has identified a total of ten reporting units under the new structure. With the increase in reporting units, the Company determined that more time would be required to perform future goodwill impairment tests, and as a result, decided to accelerate its annual goodwill impairment test date to October 31st of each fiscal year, starting with the fiscal year 2017 test.

Before testing goodwill at October 31, 2017, the Company allocated assets and liabilities to their respective reporting units. Goodwill was allocated to each reporting unit in accordance with ASC 350-20-40, which requires that goodwill be allocated based on the relative fair values of each reporting unit. After completing this valuation process, the Company allocated goodwill to seven reporting units. The Company did not allocate any goodwill to three smaller reporting units that were determined to have no material fair value.

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

The fair value of each reporting unit is determined by the income approach. The Company also compared the fair value from the income approach to a market based approach to validate that the value derived from the income approach was reasonable. For the income approach, fair value is determined based on the present value of estimated future after-tax cash flows, discounted at an appropriate risk adjusted rate. The Company uses internal forecasts to estimate future after-tax cash flows, which includes an estimate of long-term future growth rates based on the long-term outlook for each reporting unit. Actual results may differ from those assumed in each forecast.

The Company derives discount rates using a capital asset pricing model and analyzing published rates for industries relevant to the reporting units to estimate the weighted average cost of capital. The Company uses discount rates that are commensurate with the risks and uncertainty inherent in the business and in internally developed forecasts. For fiscal year 2017, the Company used a discount rate of 10.0%, and also performed sensitivity analysis on the discount rates. For the market approach validation, values were derived based on valuation multiples from sales of comparable companies.

The Company has also early adopted the provisions of ASU 2017-4, which eliminates the second step of the goodwill impairment test. As a result, the goodwill impairment test as of October 31, 2017 includes only one step, which is a comparison of the carrying value of each reporting unit to its fair value, and any excess carrying value, up to the amount of goodwill allocated to that reporting unit, is impaired. The goodwill impairment test as of October 31, 2017 resulted in a $12.1 impairment of goodwill to the Company's domain monetization reporting unit within the domain segment. The impairment is a direct result of a more rapid decline in domain parking revenue than originally expected, and to a lesser extent, reduced sales of premium domain names. Goodwill for this reporting unit has been completely impaired. Goodwill allocated to the other six reporting units was not impaired.

Goodwill as of December 31, 2017 is $1,850.6 million. Approximately $1,820.7 million of this goodwill relates to reporting units where fair value exceeds each reporting units carrying value by at least 20%. One reporting unit, the domain.com reporting unit within the domain segment, has a goodwill balance of $29.9 million, and a fair value fair value that exceeds its carrying value by 6%. The Company has one reporting unit, the backup reporting unit that is within the web presence segment, that has a negative carrying value and has been allocated $2.3 million of goodwill.

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.

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 year ended December 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 2016 impairments described above were recognized in the web presence segment.

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

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

All of the 2017 impairments described above were recognized in the domains 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 year ended December 31, 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 wa 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 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 the Company's 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 $0.6 million and $0.5 million as of December 31, 2016 and 2017, respectively. The portion of deferred revenue that is expected to be refunded at December 31, 2016 and 2017 was $2.1 million and $1.8 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 83% of all refunds happen in the same fiscal month that the contract starts or renews, and approximately 96% 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, 2015, 2016 and 2017, the Company's sales and marketing costs were $145.4 million, $303.5 million and $277.5 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 revenue and expenses are translated at average monthly exchange rates. The resulting translation adjustments are recorded as a separate component of stockholders' equity and have not been material. Foreign currency transaction gains and losses relate to the settlement of assets or liabilities in another currency.

Foreign currency transaction losses were $1.9 million, $1.8 million, and $0.8 million during the years ended December 31, 2015, 2016 and 2017, 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. The Company had no unrecognized tax benefits in the years ended December 31, 2015 and 2016. The Company provided for unrecognized tax benefits of $1.1 million in the year ended December 31, 2017.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2015, and 2016, the Company did not recognize any interest or penalties related to unrecognized tax benefits. During the year ended December 31, 2017, the Company recognized immaterial 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 its 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 to 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, 2015, 2016 and 2017, 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,		
	2015	2016	2017
	(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.	$ (25,770)	$ (72,831)	$ (107,308)
Net loss per share attributable to Endurance International Group Holdings, Inc.:			
Basic and diluted	$ (0.20)	$ (0.55)	$ (0.78)
Weighted average number of common shares used in computing net loss per share attributable to Endurance International Group Holdings, Inc.:			
Basic and diluted	131,340,557	133,415,732	137,322,201

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,		
	2015	2016	2017
Restricted Stock Awards and Units	3,019,349	8,019,241	8,967,840
Options	6,723,589	10,380,991	10,728,795
Total	9,742,938	18,400,232	19,696,635

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, 2017, the only losses incurred by the Company in connection with any of its indemnification obligations or guarantees relate to immaterial amounts incurred to indemnify officers in connection with the SEC investigation. The Company does not expect material 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

In March 2016, the FASB issued ASU 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 adoption of this standard did not have a material impact on the Company's financial position or results of operations.

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 two of the prior goodwill test, and instead requires that an entity 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 elected to early adopt the provisions of ASU 2017-04 effective in the fourth quarter of fiscal year 2017, which simplified the process of calculating the $12.1 million impairment to goodwill during the fourth quarter of fiscal year 2017.

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,* ASU 2016-10, *Revenue from Contracts with Customers* (Topic 606), *Identifying Performance Obligations and Licensing*, and ASU 2017-13, *Revenue Recognition* (Topic 605)*, Revenue from Contracts with Customers* (Topic 606)*, Leases* (Topic 840)*, and Leases* (Topic 842)*, Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments,* which further elaborate on the original ASU No. 2014-09. The 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 "modified retrospective approach"). 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 to external parties, are charged to expense as these costs must be deferred over the life of the related customer relationship. The Company also expects that a small portion of its revenue recognition will be impacted by this new guidance. The Company has completed an initial quantification of the changes from adoption of ASU 2014-09, and believes that the deferral of certain sales incentive payments may materially impact the timing of expenses in the initial periods following adoption, and that future revenue will not be materially impacted by this adoption. The Company expects that the impact to opening retained earnings will be approximately $67.0 million, which consists of an $83.0 million deferred asset relating to customer acquisition costs and a $6.0 million deferred asset for domain registration costs, partially offset by a $22.0 million liability for deferred revenue. The Company is in the process of evaluating the deferred tax impact of these changes, and expects to complete this evaluation during the first quarter of fiscal year 2018. The deferred tax impact may further impact the adjustment to retained earnings. Further, the Company expects to adopt ASU 2014-09 under the modified retrospective approach.

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 impact on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. Since then, the FASB has also issued ASU 2017-13, *Revenue Recognition* (Topic 605)*, Revenue from Contracts with Customers* (Topic 606)*, Leases* (Topic 840)*, and Leases* (Topic 842): *Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments,* which further elaborates on the original

ASU No. 2016-02. 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 that adoption will increase its assets and liabilities.

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 does not believe the adoption of this ASU will have a material impact 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, 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 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 May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation* (Topic 718). This new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This amendment is effective for annual or interim periods in fiscal years beginning after December 15, 2017, and should be applied prospectively to an award modified on or after the adoption date. The Company will apply this new guidance to any modifications, based on the new definition of a modification, for all periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging* (Topic 815)*: Targeted Improvements to Accounting for Hedging Activities.* This new guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to the designation and measurement guidance for qualifying hedging relationships and to the method of presenting hedge results. The amendments in this guidance require an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported, to allow users to better understand the results and costs of an entity's hedging program. This new guidance is effective for fiscal years beginning after December 15, 2019. The amended presentation and disclosure guidance is required only prospectively, while the measurement guidance should be applied to hedges existing at the time of adoption through a one-time cumulative-effect adjustment to accumulated other comprehensive income with respect to the elimination of the separate measurement of ineffectiveness with a corresponding adjustment to the opening balance of the retained earnings. The Company is currently evaluating the impact of its pending adoption of the new guidance 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., 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, 2017, the Company has paid all of the remaining $2.5 million cash consideration.

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. Goodwill relating to this acquisition is included within the web presence segment.

World Wide Web Hosting

On June 25, 2015, the Company acquired substantially all of the assets of World Wide Web Hosting ("WWWH"), 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. Goodwill relating to this acquisition is included within the web presence segment.

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 former 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 owned 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 of $31.4 million during the year ended December 31, 2016.

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. Goodwill relating to this acquisition is included within the web presence segment.

Ecommerce

On November 2, 2015, the Company acquired substantially all of the assets of Ecommerce, 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. Goodwill relating to this acquisition is included within the web presence segment.

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) Ltd. ("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 of 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. Goodwill relating to this acquisition is included within the web presence segment.

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 the 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 was exercisable by the minority shareholders of WZ UK beginning on July 1, 2017, or by a call option that was exercisable by the Company beginning on January 1, 2018. The Company started accreting the $25.0 million starting in July 2016 through the earliest redemption date of July 1, 2017. On July 7, 2017, the Company redeemed the remaining redeemable non-controlling interest for $25.0 million. 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. 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. Goodwill relating to this acquisition is included within the email marketing segment.

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"), 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) is payable 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 was included in the aggregate purchase price and recorded as deferred consideration in the Company's consolidated balance sheet as of December 31, 2017. 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 the following: subscriber relationships of $0.1 million; developed technology of $1.7 million; technology in the process of development of $1.7 million; goodwill of $21.5 million,

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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. Goodwill relating to this acquisition is included within the web presence segment.

Summary of Deferred Consideration Related to Acquisitions

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

Components of deferred consideration short-term and long-term as of December 31, 2017, consisted of the following:

	Short-term	Long-term
	(in thousands)	
AppMachine (Acquired in 2016)	4,365	3,551
Total	$ 4,365	$ 3,551

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, 2016 and 2017, 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 discussed in Note 5 below. The Company has classified its interest rate cap 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, 2017, the Company paid $0.8 million related to the earn-out provisions for the Mojo acquisition, which constituted the final payment for this acquisition.

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, 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
Balance at December 31, 2017				
Financial assets:				
Interest rate cap (included in other assets)	$ 452	—	$ 452	$ —
Total financial assets	$ 452	$ —	$ 452	$ —

The following table summarizes the changes in the financial liabilities measured on a recurring basis using Level 3 inputs as of December 31, 2016 and 2017:

	Amount
	(in thousands)
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
Payment of contingent earn-outs related to 2012 acquisitions	(818)
Change in fair value of contingent earn-outs	—
Financial liabilities measured using Level 3 inputs at December 31, 2017	$ —

5. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk 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, 2017.

As of December 31, 2017, 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, 2016 and 2017 was $1.0 million and $0.5 million, respectively. During the year ended December 31, 2016, the Company recognized an immaterial amount of interest expense in the Company's consolidated statement of operations. During the year ended December 31, 2017, the Company recognized $0.6 million of interest expense in the Company's consolidated statement of operations. The Company recognized a $$0.0 million loss, net of tax benefit of $0.0 million in AOCI for the year ended December 31, 2017. The Company estimates that $1.9 million of the losses recognized in AOCI will be reclassified as an increase to interest expense in the next twelve months. For the year ended December 31, 2016, the Company recognized a $1.4 million gain in AOCI, net of a tax benefit of $0.8 million.

6. Property and Equipment and Capital Lease Obligations

Components of property and equipment consisted of the following:

	As of December 31,	
	2016	2017
	(in thousands)	
Land	$ 790	$ 790
Building	5,517	5,037
Software	52,130	82,618
Computers and office equipment	143,091	153,273
Furniture and fixtures	10,892	18,825
Leasehold improvements	21,244	22,260
Construction in process	6,691	3,800
Property and equipment—at cost	240,355	286,603
Less accumulated depreciation	(145,083)	(191,151)
Property and equipment—net	$ 95,272	$ 95,452

Depreciation expense related to property and equipment for the years ended December 31, 2015, 2016 and 2017 was $34.0 million, $60.4 million, and $55.2 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 year ended December 31, 2017, the Company did not recognize any impairments with respect to its property, plant and equipment.

During the years ended December 31, 2016 and 2017, the Company entered into agreements to lease software licenses for use on certain data center server equipment for terms ranging from twenty-four months to thirty-nine months.

As of December 31, 2016 and 2017, the Company's software shown in the above table included the software assets under a capital lease as follows:

	As of December 31, 2016	As of December 31, 2017
	(in thousands)	
Software	$ 21,499	$ 17,256
Less accumulated depreciation	(14,750)	(2,265)
Assets under capital lease—net	$ 6,749	$ 14,991

At December 31, 2017, the expected future minimum lease payments under the capital lease discussed above were approximately as follows:

	Amount
	(in thousands)
2018	8,384
2019	7,977
Total minimum lease payments	$ 16,361
Less amount representing interest	(1,012)
Present value of minimum lease payments (capital lease obligation)	$ 15,349
Current portion	$ 7,630
Long-term portion	$ 7,719

7. Goodwill and Other Intangible Assets

The following table summarizes the changes in the Company's goodwill balances as of December 31, 2016 and 2017:

	Web presence	Email marketing	Domain	Total
		Amount (in thousands)		
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
Reallocation of goodwill	(41,987)	—	41,987	—
Foreign translation impact	2,802	—		2,802
Impairment	—	—	(12,129)	(12,129)
Goodwill balance at December 31, 2017	$ 1,216,419	$ 604,305	$ 29,858	$ 1,850,582

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, 2016, the fair value of each of the Company's reporting units exceeded the carrying value of the reporting unit's net assets and, therefore, no impairment existed as of that date. During the quarter and year ended December 31, 2017, an impairment charge of $12.1 million was recorded in the consolidated statement of operations and comprehensive loss relating to the Company's domain segment. Refer to *Note 2: Summary of Significant Accounting Policies* above for further details.

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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	

At December 31, 2017, other intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life
		(dollars in thousands)		
Developed technology	$ 285,911	$ 149,514	$ 136,397	7 years
Subscriber relationships	659,732	431,938	227,794	7 years
Trade-names	134,054	73,019	61,035	8 years
Intellectual property	34,313	27,336	6,977	5 years
Domain names available for sale	30,458	7,221	23,237	Indefinite
Leasehold interests	314	314	—	1 year
Total December 31, 2017	$ 1,144,782	$ 689,342	$ 455,440	

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. These impairment charges were recognized in engineering and development expense in the Company's web presence segment. The Company used the relief from royalty method in estimating the fair value of the developed technology.

During the year ended December 31, 2017, the Company wrote down intellectual property, specifically, certain domain names that generated domain monetization revenue, to fair value and recorded a charge of $18.7 million, which is included in cost of revenue in the consolidated statement of operations and comprehensive loss. The impairment resulted from diminishing cash flows associated with these assets. This impairment charge was recognized in the Company's domain 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 $91.1 million, $143.6 million, and $140.4 million for the years ended December 31, 2015, 2016 and 2017, respectively.

At December 31, 2017, 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)
2018	$	100,637
2019		82,705
2020		69,792
2021		60,676
2022		36,232
Thereafter		82,161
Total	$	432,203

8. Investments

As of December 31, 2016 and 2017, the Company's carrying value of investments in privately-held companies was $15.9 million and $15.3 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, 2016 and 2017, the Company purchased $1.6 million and $1.7 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, 2016 and 2017, $0.1 million and $0.1 million, respectively, relating to the investment in BlueZone was included in accounts payable and accrued expense in the Company's consolidated balance sheet. As of December 31, 2016 and 2017, $0.0 million and $0.7 million, respectively, relating to the investment in BlueZone was included in prepaid expenses 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 the year ended December 31, 2015, the Company's proportionate share of net loss from its investment in WZ UK Ltd. was $13.9 million. 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.

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. During the year ended December 31, 2017, the Company recognized an impairment expense of $0.6 million in other expense in the consolidated statement of operations and comprehensive loss, as the carrying amount of the investment was deemed unrecoverable. This impairment was recognized in the Company's web presence segment.

On April 8, 2016, the Company made an investment of $5.0 million for a 33.0% equity interest in Fortifico Limited, a company providing a billing, 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 $14.6 million and $1.3 million, and net profits of $0.1 million for the years ended December 31, 2015, 2016 and 2017, 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, 2017, the Company was not obligated to fund any follow-on investments in these investee companies.

As of December 31, 2017, 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, 2017, 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, 2016 and 2017, notes payable, net of original issuance discounts (sometimes referred to as "OID") and deferred financing costs, consisted of the following:

	As of December 31,	
	2016	2017
	(in thousands)	
2017 First Lien Term Loan	$ —	$ 1,563,197
2013 First Lien Term Loan	985,640	—
Incremental First Lien Term Loan	674,860	—
Senior Notes	326,480	329,048
Revolving Credit Facilities	—	—
Total Notes Payable	1,986,980	1,892,245
Current portion of Notes Payable	35,700	33,945
Notes Payable - long-term	$ 1,951,280	$ 1,858,300

2017 First Lien Term Loan Facility

In connection with the Company's June 14, 2017 refinancing of its then-outstanding term loans (the "2017 Refinancing"), the Company entered into its current first lien term loan facility (the "2017 First Lien") with an original balance of $1,697.3 million and a maturity date of February 9, 2023. As of December 31, 2017, the 2017 First Lien had an outstanding balance of:

	As of December 31,
	2017
	(in thousands)
2017 First Lien Term Loan	$ 1,605,792
Unamortized deferred financing costs	(22,456)
Unamortized original issue discount	(20,139)
Net 2017 First Lien Term Loan	1,563,197
Current portion of 2017 First Lien Term Loan	33,945
2017 First Lien Term Loan - long term	$ 1,529,252

The 2017 First Lien was issued at a price of 99.75% of par and automatically bears interest at the bank's reference rate unless the Company gives notice to opt for LIBOR-based interest rate term loans. The interest rate for a LIBOR-based interest term loan is 4.00% per annum plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan is 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%.

The 2017 First Lien requires quarterly mandatory repayments of principal. During the year ended December 31, 2017, the Company made three mandatory repayments of $8.5 million each, and three voluntary prepayments for total voluntary prepayments of $66.0 million.

Interest is payable on maturity of the elected interest period for a LIBOR-based interest 2017 First Lien loan, which can be one, two, three or six months. Interest is payable at the end of each fiscal quarter for a reference rate interest 2017 First Lien loan.

2013 First Lien Term Loan

The Company had a prior first lien term loan facility (the "2013 First Lien") that originated in November 2013 with an original balance of $1,050.0 million and a maturity date of November 9, 2019. As of December 31, 2016 and 2017, the 2013 First Lien had an outstanding balance of:

	As of December 31,	
	2016	2017
	(in thousands)	
2013 First Lien Term Loan	$ 985,875	$ —
Unamortized deferred financing costs	(235)	—
Net 2013 First Lien Term Loan	985,640	—
Current portion of 2013 First Lien Term Loan	21,000	—
2013 First Lien Term Loan - long term	$ 964,640	$ —

The 2013 First Lien automatically bore interest at the bank's reference rate unless the Company gave notice to opt for LIBOR based interest rate term loans. Prior to February 9, 2016, the interest rate for a LIBOR based interest term loan was 4.00% plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan was 3.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00% and 2.00%. The 2013 First Lien bore interest at a LIBOR-based rate of 5.00% during this period.

In connection with the Company's February 9, 2016 acquisition of Constant Contact and the related financing of that transaction (the "Constant Contact Financing"), the applicable margin for a LIBOR based 2013 First Lien loan increased to 5.23% per annum starting on February 9, 2016 and to 5.48% per annum starting on February 28, 2016. The applicable margin on a reference rate 2013 First Lien loan increased to 4.23% per annum starting on February 9, 2016 and to 4.48% per annum starting on February 28, 2016.

The 2013 First Lien required quarterly mandatory repayments of principal, and as a result of the Constant Contact Financing, the Company was obligated to use commercially reasonable efforts to make voluntary repayments on the 2013 First Lien to effectively double the amount of each scheduled amortization payment under this facility. 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 2013 First Lien. During the year ended December 31, 2017, the Company made mandatory repayments of $2.6 million and voluntary prepayments of $2.6 million against the 2013 First Lien prior to the 2017 refinancing.

Interest was payable on maturity of the elected interest period for a LIBOR-based interest loan, which could be one, two, three or 6 months. Interest was payable at the end of each fiscal quarter for a reference rate 2013 First Lien loan.

As part of the 2017 Refinancing, the Company refinanced the then-outstanding 2013 First Lien balance of $980.6 million.

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 and 2017, the Incremental First Lien had an outstanding balance of:

	As of December 31,	
	2016	2017
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 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) and had 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 bore interest at the bank’s reference rate unless the Company gave notice to opt for LIBOR-based interest rate term loans. Interest was payable on maturity of the elected interest period for a LIBOR-based interest loan, which could be one, two, three or six months. Interest was payable at the end of each fiscal quarter for a reference rate loan term loan. The interest rate for a LIBOR-based interest term loan was 5.00% per annum plus the greater of an adjusted LIBOR and 1.00%, and the interest rate for a reference rate term loan was 4.00% per annum plus the greatest of the prime rate, the federal funds effective rate plus 0.50%, an adjusted LIBOR for a one-month interest period plus 1.00%, and 2.00%.

During the year ended December 31, 2016, the Company made $14.7 million in mandatory and voluntary prepayments against the Incremental First Lien. During the year ended December 31, 2017, the Company made $3.7 million in mandatory prepayments against the Incremental First Lien prior to the 2017 Refinancing.

As part of the 2017 Refinancing, the Company refinanced the then-outstanding Incremental First Lien balance of $716.6 million.

Revolving Credit Facility

The Company had a revolving credit facility of $125.0 million (the “Prior Revolver”) that 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.

In connection with the Constant Contact Financing, 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 maturity date of February 9, 2021. The Current Revolver had a "springing" maturity date of August 10, 2019, which is no longer applicable as a result of the 2017 Refinancing. As of December 31, 2016 and 2017, 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 4.0% per annum (subject to a leverage-based step-down) plus an adjusted LIBOR for a selected interest period. Alternate base interest revolver loans bear interest at 3.0% (subject to a leverage-based step down) plus the greatest of the prime rate, the federal funds rate plus 0.50% and an adjusted LIBOR or a one-month interest period plus 1.00%. 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 six months. Interest is payable at the end of each fiscal quarter for a reference rate revolver loan.

Senior Notes

In connection with the Constant Contact Financing, EIG Investors issued $350.0 million aggregate principal amount of Senior Notes (the “Notes”) with a maturity date of 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 and 2017, the Senior Notes had an outstanding balance of:

	As of December 31, 2016	As of December 31, 2017
	(in thousands)	
Senior Notes	$ 350,000	$ 350,000
Unamortized deferred financing costs	(17,238)	(15,280)
Unamortized original issue discounts	(6,282)	(5,672)
Net Senior Notes	326,480	329,048
Current portion of Senior Notes	—	—
Senior Notes - long term	$ 326,480	$ 329,048

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 the Company's consolidated balance sheets. The unamortized value of deferred financing costs associated with the Company's 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, 2017 is as follows:

Maturity date as of December 31,	Amounts (in thousands)
2018	$ 33,945
2019	33,945
2020	33,945
2021	33,945
2022	33,945
Thereafter	1,436,067
Total	$ 1,605,792

Interest

The Company recorded $58.8 million, $152.9 million, and $157.1 million in interest expense for the years ended December 31, 2015, 2016 and 2017, respectively.

The following table provides a summary of loan interest rates incurred and interest expense for the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,		
	2015	2016	2017
		(dollars in thousands)	
Interest rate—LIBOR	5.00%-7.75%	4.49%-7.75%	5.14%-6.68%
Interest rate—reference	8.50%	6.75%-8.75%	*
Interest rate—Notes	—%	10.875%	10.875%
Non-refundable fee—unused facility	0.50%	0.50%	0.50%
Interest expense and service fees	$ 56,760	$ 140,470	$ 138,041
Loss on extinguishment of debt	$ —	$ —	$ 992
Deferred financing costs immediately expensed	$ —	$ —	$ 5,487
Amortization of deferred financing fees	$ 82	$ 6,073	$ 7,316
Amortization of original issue discounts	$ —	$ 2,970	$ 3,860
Amortization of net present value of deferred consideration	$ 1,264	$ 2,617	$ 632
Other interest expense	$ 722	$ 758	$ 814
Total interest expense	$ 58,828	$ 152,888	$ 157,142

* The Company did not have debt bearing interest based on the reference rate for the twelve months December 31, 2017.

The Company concluded that the 2017 Refinancing was primarily a debt modification of the existing term loans in accordance with ASC 470-50, *Debt: Modifications and Extinguishments,* with extinguishment relating only to a few existing lenders that did not participate in the 2017 Refinancing. As a result, the Company capitalized $4.2 million of additional original issue discounts and $0.9 million of deferred financing costs related to new lenders participating in the 2017 First Lien. These capitalized costs will be amortized over the remaining life of the loan using the effective interest method. Additionally, the Company recorded a charge during the year ended December 31, 2017, included in interest expense, of $1.0 million to write off OID and deferred financing costs related to the refinanced debt for lenders not participating in the 2017 First Lien. Lastly, the Company recorded a charge of $5.5 million for the year ended December 31, 2017, included in interest expense, for deferred financing costs incurred for the 2017 First Lien that related to existing lenders that carried over from the refinanced debt.

Debt Covenants

The Senior Credit Facilities require that the Company complies with a financial covenant to maintain a maximum ratio of consolidated senior secured net indebtedness to an adjusted consolidated EBITDA measure.

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

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

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

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

The Company was in compliance with all covenants at December 31, 2017.

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, 2016 and 2017.

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 and units granted, the Company estimates the fair value of each restricted stock award and unit based on the closing trading price of its common stock on the date of grant.

2013 Stock Incentive Plan

The Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") of the Company became effective upon the closing of the Company's IPO. The 2013 Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to employees, officers, directors, consultants and 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, 2017, 14,500,870 shares were available for grant under the 2013 Plan.

2011 Stock Incentive Plan

As of February 9, 2016, the effective date of the acquisition of Constant Contact, the Company assumed and converted certain outstanding equity awards granted by Constant Contact under the Constant Contact 2011 Stock Incentive Plan ("2011 Plan") prior to the effective date of the acquisition (the "Assumed Awards") into corresponding equity awards with respect to shares of the Company's common stock. In addition, the Company assumed certain shares of Constant Contact common stock, par value $0.01 per share, available for issuance under the 2011 Plan (the "Available Shares"), which are available for future issuance under the 2011 Plan in satisfaction of the vesting, exercise or other settlement of options and other equity awards that may be granted by the Company following the effective date of the acquisition of Constant Contact in reliance on the prior approval of the 2011 Plan by the stockholders of Constant Contact. The Assumed Awards were converted into 2,143,987 stock options and 2,202,846 restricted stock units with respect to the Company's common stock and the Available Shares were converted into 10,000,000 shares of the Company's common stock reserved for future awards under the 2011 Plan. At December 31, 2017, there were 9,249,168 shares available for grant under the 2011 Plan.

The Company calculated the fair value of the exchanged awards in accordance with the provisions of ASC 718 as of the acquisition date. The Company allocated the fair value of these awards between the pre-acquisition and post-acquisition stock-based compensation expense. The Company determined that the value of the awards under this plan was $22.3 million, of which $5.4 million was attributed to the pre-acquisition period and recognized as part of the purchase consideration for

Constant Contact. The balance of $16.9 million has been attributed to the post-acquisition period, and is being recognized in the Company's consolidated statements of operations and comprehensive loss over the vesting period of the awards.

2013 Stock Incentive Plan

For stock options issued under the 2013 Plan, the fair value of each option is estimated on the date of grant, and upon the adoption of ASU 2016-09, the Company accounts for forfeitures as they are incurred. Unless otherwise approved by the Company's board of directors, stock options typically vest over a three- or four year period and the Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock option awards and determine the related compensation expense. The weighted-average assumptions used to compute stock-based compensation expense for awards granted under the 2013 Stock Incentive Plan during the years ended December 31, 2015, 2016 and 2017 are as follows:

	2015	2016	2017
Risk-free interest rate	1.8%	1.5%	2.2%
Expected volatility	56.1%	53.1%	50.5%
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 blended volatility data from the Company's common stock and from comparable public companies in similar industries and markets because there is currently limited public history for the Company's common stock, and therefore, a lack of market-based company-specific historical and implied volatility information. The weighted-average expected life for employee options reflects the application of the simplified method, which represents the average of the contractual term of the options and the weighted-average vesting period for all option tranches. The simplified method has been used since the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to a limited history of stock option grants. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future.

The following table provides a summary of the Company's stock options as of December 31, 2017 and the stock option activity for all stock options granted under the 2013 Plan during the year ended December 31, 2017 (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, 2016	9,607,431	$ 12.79		
Granted	774,018	$ 7.84		
Exercised	(672)	$ 8.05		
Forfeited	(1,064,535)	$ 12.55		
Canceled	(741,092)	$ 13.69		
Outstanding at December 31, 2017	8,575,150	$ 12.30	6.2	$ 470
Exercisable as of December 31, 2017	6,246,799	$ 12.80	5.5	$ 10
Expected to vest after December 31, 2017(1)	2,328,351	$ 10.96	8.1	$ 1
Exercisable as of December 31, 2017 and expected to vest thereafter (2)	8,575,150	$ 12.30	6.2	$ 470

(1) This represents the number of unvested options outstanding as of December 31, 2017 that are expected to vest in the future.

(2) This represents the number of vested options as of December 31, 2017 plus the number of unvested options outstanding as of December 31, 2017 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, 2017 of $8.40 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

Restricted stock awards granted under the 2013 Plan generally vest annually over a four-year period, unless otherwise determined by the Company's board of directors. Performance-based restricted stock awards are earned based on the achievement of performance criteria established by the Company's compensation committee and board of directors. The following table provides a summary of the Company's restricted stock award activity for the 2013 Plan during the year ended December 31, 2017:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2016	7,332,537	$ 13.21
Granted	160,428	$ 8.15
Vested	(3,695,045)	$ 12.56
Canceled	(364,974)	$ 12.13
Non-vested at December 31, 2017	3,432,946	$ 13.79

Restricted stock units granted under the 2013 Plan generally vest monthly over a three- or four-year period, unless otherwise determined by the Company's board of directors. The following table provides a summary of the Company's restricted stock unit activity for the 2013 Plan during the year ended December 31, 2017:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
December 31, 2016	100,369	$ 12.00
Granted	4,115,549	$ 7.94
Vested	(804,920)	$ 8.01
Canceled	(406,861)	$ 7.89
December 31, 2017	3,004,137	$ 7.93

2015 Performance Based Award

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

Award Shares may have been earned during each calendar quarter during the Performance Period (each, a "Performance Quarter") if the Company achieved a threshold, target or maximum level of the performance metric for the Performance Quarter. If the performance metric was less than the threshold level for a Performance Quarter, no Award Shares would have been earned during the Performance Quarter. Award Shares that were not earned during a Performance Quarter may have been 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 2017, 307,812 Award Shares were earned for the Performance Quarter ending December 31, 2017 because the maximum performance level for the quarterly performance metric was met. An aggregate total of 461,958 Award Shares were earned during the year ended December 31, 2017.

Any Award Shares that were earned during the Performance Period would have vested on June 30, 2018, provided that Mr. Ravichandran was employed by the Company on such date. The requirement that he be employed by the Company on June 30, 2018 would be waived in the event his employment was terminated due to death, disability or by the Company without cause, if the executive terminated employment with the Company for good reason, or if the executive was 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 have been earned, as provided for in the performance-based restricted stock agreement.

This performance-based award was evaluated quarterly to determine the probability of its vesting and to determine the amount of stock-based compensation to be recognized. During the year ended December 31, 2017, the Company recognized $12.1 million of stock-based compensation expense related to the performance-based award.

In April 2017, the Company announced that its board of directors and Mr. Ravichandran adopted a transition plan whereby Mr. Ravichandran would remain as chief executive officer and serve as a board member while the Company conducted a search to identify his successor. The Company's new president and chief executive officer began employment with the Company on August 22, 2017. Mr. Ravichandran ended his employment with the Company during the fourth quarter of 2017. In accordance with the terms of the 2015 Performance Based Award, upon separation of employment, Mr. Ravichandran received the Award Shares earned with respect to Performance Quarters completed prior to the separation, plus the greater of (a) the target number of Award Shares eligible to be earned in the Performance Quarter in which the separation occurred and (b) the number of Award Shares that would have been earned in the Performance Quarter in which the separation occurred as if Mr. Ravichandran had remained employed through the end of the Performance Quarter. Based on the actual end date of Mr. Ravichandran's employment, the Company used an attribution period of 2.39 years. An aggregate 1,661,439 earned Award Shares vested under this performance-based award and the remaining 2,032,315 unearned Award Shares were forfeited.

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”). Based on the Company's achievement of Constant Contact revenue, adjusted EBITDA and cash flow metrics, these shares vested on March 31, 2017 and each executive earned the maximum number of shares subject to his or her award. The CFO earned 223,214 shares of the Company’s stock, the COO earned 260,416 shares of the Company’s stock, and the CAO earned 148,810 shares of the Company’s stock. These earned shares vested on March 31, 2017. During the fiscal year ended December 31, 2016, the Company recognized $4.1 million of stock-based compensation expense related to these performance-based awards. During the year ended December 31, 2017, the Company recognized $1.2 million of stock-based compensation expense related to these performance-based awards.

New CEO Award

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

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

2011 Stock Incentive Plan

For stock options issued under the 2011 Plan, the fair value of each option is estimated on the date of grant. Unless otherwise approved by the Company’s board of directors, stock options typically vest over a three- or a four years period and the Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. The Company uses the Black-Scholes option simplified pricing model to estimate the fair value of stock option awards and determine the related compensation expense. The weighted-average assumptions used to compute stock-based compensation expense for awards granted under the 2011 Stock Incentive Plan during the years ended December 31, 2016 and 2017 are as follows:

	2016	2017
Risk-free interest rate	1.27%	1.98%
Expected volatility	53.1%	49.6%
Expected life (in years)	4.75	4.75
Expected dividend yield	—	—

The following table provides a summary of the Company’s stock options as of December 31, 2017 and the stock option activity for all stock options granted under the 2011 Plan during the year ended December 31, 2017:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Ter m (In years)	Aggregate Intrinsic Value(3) (In thousands)
Outstanding at December 31, 2016	1,931,830	$ 8.73		
Granted	14,724	$ 8.15		
Exercised	(355,557)	$ 5.75		
Forfeited	(531,988)	$ 10.04		
Canceled	(170,749)	$ 10.62		
Outstanding at December 31, 2017	888,260	$ 8.75	4.3	$ 635
Exercisable as of December 31, 2017	538,766	$ 8.40	3.8	$ 514
Expected to vest after December 31, 2017(1)	349,494	$ 9.29	5.0	$ 121
Exercisable as of December 31, 2017 and expected to vest thereafter(2)	888,260	$ 8.75	4.3	$ 635

(1) This represents the number of unvested options outstanding as of December 31, 2017 that are expected to vest in the future.
(2) This represents the number of vested options as of December 31, 2017 plus the number of unvested options outstanding as of December 31, 2017 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, 2017 of $8.40 per share, or the date of exercise, as appropriate, and the exercise price of the underlying options.

Unless otherwise determined by the Company’s board of directors, restricted stock units granted under the 2011 Plan generally vest annually over a three or four-year period. The following table provides a summary of the Company’s restricted stock unit activity for the 2011 Plan during the year ended December 31, 2017:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2016	1,473,655	$ 9.25
Granted	1,324,328	$ 7.99
Vested	(659,019)	$ 7.56
Canceled	(597,823)	$ 8.48
Non-vested at December 31, 2017	1,541,141	$ 8.30

2016 Award Obligations

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

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 IPO, and all awards granted under the Company's 2013 Plan and the 2011 Plan:

	For the Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
Cost of revenue	$ 1,975	$ 5,855	$ 6,135
Sales and marketing	3,285	8,702	8,658
Engineering and development	1,988	5,989	6,090
General and administrative	22,677	37,721	39,118
Total operating expense	$ 29,925	$ 58,267	$ 60,001

Under both plans combined, as of December 31, 2017, the Company has approximately $13.7 million of unrecognized stock-based compensation expense related to option awards that will be recognized over 2.0 years and approximately $37.1 million of unrecognized stock-based compensation expense related to restricted stock awards and units that will be recognized over approximately 2.2 years.

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, 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)
Other comprehensive income (loss)	3,091	34	3,125
Balance at December 31, 2017	$ 696	$ (1,237)	$ (541)

13. Redeemable 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 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 Limited 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 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 was below the expected redemption amount of $25.0 million, which resulted in $14.2 million of excess accretion that reduced income available to common shareholders for the period starting on the date of the restructuring through the redemption date of July 1, 2017. The Company recognized excess accretion of $6.8 million and $7.2 million during the year ended December 31, 2016 and 2017, respectively, which is reflected in net loss attributable to accretion of non-controlling interest in the Company's consolidated statements of operations and comprehensive loss. Prior to the third quarter of 2016, the Company did not have any accretion amounts in excess of fair value. On July 7, 2017, the Company redeemed the remaining redeemable non-controlling interest for $25.0 million.

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

	Redeemable noncontrolling interest (in thousands)
Balance as of December 31, 2016	$ 17,753
Accretion in excess of fair value	7,247
Payment of redeemable non-controlling interest	(25,000)
Balance as of December 31, 2017	$ —

The Company starts accreting non-controlling interest to its redeemable value from the date the redemption of the non-controlling 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 following table presents domestic and foreign components of income (loss) before income taxes for the periods presented:

	Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
United States	$ 1,258	$ (137,197)	$ (117,715)
Foreign	(1,046)	(52,593)	540
Total income (loss) before income taxes	$ 212	$ (189,790)	$ (117,175)

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

	Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
Current:			
U.S. federal	$ 1,827	$ 328	$ 319
State	696	744	2,610
Foreign	1,699	2,312	2,597
Total current provision	4,222	3,384	5,526
Deferred:			
U.S. federal	(1,103)	(44,447)	(36,854)
State	1,952	(6,225)	(3,243)
Foreign	(818)	(10,037)	9,377
Change in valuation allowance	7,089	(52,533)	7,913
Total deferred provision	7,120	(113,242)	(22,807)
Total expense (benefit)	$ 11,342	$ (109,858)	$ (17,281)

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 carry-forwards, federal and state capital loss carry-forwards, and federal research credits which the Company projected to expire prior to utilization. During the year ended December 31, 2017, the Company recorded a deferred tax benefit of $22.8 million, which was mostly attributable to the lower tax rates from the 2017 Tax and Jobs Act.

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,		
	2015	2016	2017
U.S. federal taxes at statutory rate	34.0%	35.0%	35.0%
State income taxes, net of federal benefit	685.0	0.9	0.6
Nondeductible stock-based compensation	827.3	(1.5)	(7.9)
Nondeductible litigation expenses	—	—	(7.9)
Nondeductible transaction costs	856.5	(2.9)	—
Nontaxable gain on redemption of equity interest	(674.9)	—	—
Other foreign permanent differences	187.8	(0.4)	(2.9)
Credits	—	3.7	1.1
Foreign rate differential	299.7	(4.6)	1.2
Change in valuation allowance—U.S.	3,398.6	31.2	(16.1)
Change in valuation allowance—foreign	(130.8)	(4.1)	9.5
Rate change	216.5	0.4	7.5
Prior year true-up stock-based compensation—U.S.	(132.8)	—	—
Other	(217.5)	(0.5)	(5.2)
Total	5,349.4%	57.2%	14.9%

The favorable impact of the change in valuation allowance in the U.S., which reduced the Company's effective rate by 16.1%, was mostly attributable to the enactment of lower tax rates as part of the 2017 Tax and Jobs Act.

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,	
	2016	2017
Deferred income tax assets:		
Net operating loss carry forward	$ 76,060	$ 47,098
Credit carryforward	28,271	27,337
Other	5,414	(327)
Deferred compensation	364	215
Deferred revenue	26,291	19,729
Other reserves	3,545	(72)
Stock-based compensation	25,424	14,887
Total deferred income tax assets	165,369	108,867
Deferred income tax liabilities:		
Purchased intangible assets	(119,719)	(47,580)
Goodwill	(37,099)	(27,922)
Property and equipment	(12,403)	(9,024)
Total deferred income tax liabilities	(169,221)	(84,526)
Valuation allowance	(36,091)	(44,068)
Net deferred income tax liabilities	$ (39,943)	$ (19,727)

The Company conducts business globally and, as a result, its subsidiaries file income tax returns in U.S. federal and state jurisdictions and various foreign jurisdictions. In the normal course of business, the Company may be subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, India, the United Kingdom, the Netherlands and the United States.

In the normal course of business, the Company is subject to examination by tax authorities throughout the world. Since the Company is in a loss carry-forward position, the Company is generally subject to U.S. federal and state income tax examinations by tax authorities for all years for which a loss carry-forward is utilized. The Company's Constant Contact subsidiary is currently under an Internal Revenue Service audit in the United states for the periods ended December 31, 2015 and February 9, 2016 (short period), India for fiscal years ended March 31, 2014 and 2015 and Israel for the fiscal years ended December 31, 2012, 2013, 2014 and 2015. At this time, the Company does not expect material changes as a result of the audits.

The statute of limitations in the Company’s other tax jurisdictions, in the United Kingdom and Brazil, remains open for various periods between 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 unrecognized tax benefits for uncertain tax positions of $0.0 million and $1.1 million at December 31, 2016 and 2017, respectively, that would affect its effective tax rate. The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expense. The Company recognized immaterial interest and penalties related to unrecognized tax benefits during the years ended December 31, 2015, 2016 and 2017.

The Company does not expect a significant change in the liability for unrecognized tax benefits in the next 12 months.

Unrecognized tax benefits at December 31, 2016	$	—
Addition for tax positions of prior years		734
Addition for tax positions of current year		395
Unrecognized tax benefits at December 31, 2017	$	1,129

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, 2017;
- 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 carry-forwards and a portion of the acquired Colorado and Utah operating loss carry-forwards. The Company maintained its valuation allowance on the several of the legacy state net operating loss carry-forwards 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 carry-forwards, 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 U.S. deferred tax assets as of December 31, 2017 and determined that it was more likely than not that the Company would not realize $37.9 million of net deferred tax assets. The Company assessed its ability to realize its foreign deferred tax assets as of December 31, 2017 and determined that it was more likely than not that the Company would not realize $2.4 million of net deferred tax assets in the United Kingdom, $3.4 million of net deferred tax assets in the Netherlands, $0.0 million of net deferred tax assets in Singapore, $0.2 million of net deferred tax assets in Israel, and $0.2 million of net deferred tax assets in China.

For the years ended December 31, 2015, 2016 and 2017, the Company has recognized a tax expense (benefit) of $11.3 million, $(109.9) million and $(17.3) million, respectively, in the consolidated statements of operations and comprehensive loss.

The income tax benefit for the year ended December 31, 2017 was primarily attributable to a federal and state deferred tax benefit of $21.8 million (which includes a $16.9 million tax benefit pertaining to the federal tax rate change as a result of the Tax Cut and Jobs Act of 2017 and the identification and recognition of $1.2 million of U.S. federal and state tax credits) and a foreign deferred tax benefit of $1.0 million, offset by a provision for federal and state current income taxes of $1.8 million, a reserve of $1.1 million for unrecognized tax benefits, and foreign current tax expense of $2.6 million.

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, which is 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 reduction of deferred liabilities to fair value as as result of purchase accounting.

As of December 31, 2017, the Company had NOL carry-forwards available to offset future U.S. federal taxable income of approximately $157.6 million and future state taxable income of approximately $128.6 million. These NOL carry-forwards expire on various dates through 2037.

As of December 31, 2017, the Company had NOL carry-forwards in foreign jurisdictions available to offset future foreign taxable income by approximately $26.7 million. The Company has loss carry-forwards that begin to expire in 2021 in China totaling $0.7 million. The Company has loss carry-forwards that begin to expire in 2020 in the Netherlands totaling $12.6 million. The Company also has loss carry-forwards in the United Kingdom and Singapore of $13.2 million and $0.2 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, 2017, the Company had U.S. tax credit carry-forwards available to offset future U.S. federal and state taxes of approximately $17.6 million and $12.3 million, respectively. These credit carry-forwards expire on various dates through 2037.

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, 2017 are available for future use to offset taxable income.

Permanent Reinvestment of Foreign Earnings

As of December 31, 2017, the cumulative amount of undistributed earnings of the Company's foreign subsidiaries amounted to $24.8 million. The Company has not provided U.S. taxes on these undistributed earnings of its foreign subsidiaries that it considers indefinitely reinvested. This indefinite reinvestment determination is based on the future operational and capital requirements of the Company's domestic and foreign operations. The Company expects that the cash held by its foreign subsidiaries of $11.3 million will continue to be used for its foreign operations and therefore does not anticipate repatriating these funds.

Included within the Tax Cuts and Jobs Act of 2017 were changes to Subpart F rules and a requirement for taxation of the aggregate net unrepatriated foreign earnings accumulated before January 1, 2018. These changes did not impact the Company in 2017 and we do not expect the Subpart F changes to have a material impact in the future. Except for Subpart F income, the Company has not provided taxes for the remaining $24.8 million of undistributed earnings of its profitable 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 carry-forwards) 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 carry-forwards due to excess tax benefits of $1.5 million and $0.7 million, respectively.

Tax Cuts and Jobs Act

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act,which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, a move from a worldwide tax system to a territorial system, as well as other changes. As a result of enactment of the legislation, we incurred an additional one-time income tax benefit on the re-measurement of certain deferred tax assets and liabilities in the amount of $16.9 million. The legislation also introduced substantial international tax reform that moves the U.S. toward a territorial system, in which income earned in other countries will generally not be subject to U.S. taxation. The accumulated foreign earnings of U.S. shareholders of certain foreign corporations will be subject to a one-time transition tax. Amounts held in cash or cash equivalents will be subject to a 15.5 percent tax, while amounts held in illiquid assets will be subject to an eight percent tax. Due to an accumulated deficit in the undistributed earnings of its foreign subsidiaries, the one-time transition tax will not apply to the Company. Although the Company has substantially completed its work on the effects of the Tax Reform Act, management continues to evaluate certain sections of the new law that may be pertinent to the Company's tax situation.

15. Severance and Other Exit Costs

The Company evaluates its data center, sales and marketing, support and engineering operations and the general and administrative function on an ongoing basis in an effort to optimize its cost structure. As a result, the Company may incur charges for employee severance, exiting facilities and restructuring data center commitments and other related costs.

2017 Restructuring Plan

In January 2017, the Company announced plans to close certain offices as part of a plan to consolidate certain web presence customer support operations, resulting in severance costs. These severance charges were associated with the elimination of approximately 660 positions, primarily in customer support. Additionally, the Company implemented additional restructuring plans to create operational efficiencies and synergies related to the Constant Contact acquisition, which resulted in additional severance charges for the elimination of approximately 50 positions. For the year ended December 31, 2017, in connection with these plans (together, the “2017 Restructuring Plan”), the Company incurred severance costs of $13.1 million and paid $9.4 million. The Company had a remaining accrued severance liability of $3.7 million as of December 31, 2017.

In connection with the 2017 Restructuring Plan, the Company closed offices in Orem, Utah and relocated certain employees to its Tempe, Arizona office. During the year ended December 31, 2017, the Company incurred facility charges of $1.3 million. The Company made payments of $1.0 million during the year ended December 31, 2017, and had a remaining accrued facility liability of $0.3 million as of December 31, 2017.

The Company expects to complete severance payments related to the 2017 Restructuring Plan during the year ended December 31, 2018.

2016 Restructuring Plan

In connection with the Company’s acquisition of Constant Contact on February 9, 2016, the Company implemented a plan to create operational efficiencies and synergies resulting in severance costs and facility exit costs (the “2016 Restructuring Plan”).

The severance charges were associated with eliminating approximately 265 positions across the business. The Company incurred all employee-related charges associated with the 2016 Restructuring Plan during the year ended December 31, 2016 and all severance payments were complete at December 31, 2017. The Company paid $1.6 million of severance costs during the year ended December 31, 2017. There is no severance accrual remaining as of December 31, 2017.

The 2016 Restructuring Plan included a plan to close offices in San Francisco, California, Delray Beach, Florida, New York, New York, United Kingdom, Porto Alegre, Brazil and Miami, Florida, and a plan to relocate certain employees to its Austin Office. The Company also closed a portion of the Constant Contact offices in Waltham, Massachusetts. During the year ended December 31, 2017, the Company recorded an adjustment to the Waltham facilities charge for future lease payments of $1.4 million, due to a change in estimated sublease income. The Company paid $4.6 million of facility costs related to the 2016 Restructuring Plan during the year ended December 31, 2017 and had a remaining accrued facility liability of $5.6 million as of December 31, 2017.

Other than the adjustment mentioned above, the Company completed 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.

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 costs. The employee related charges associated with these restructuring were completed during the year ended December 31, 2014. As of December 31, 2017, 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. During the year ended December 31, 2017, the Company paid $0.8 million of facility costs and received sublease income of $0.7 million, and had a remaining accrued facility liability of $0.1 million as of December 31, 2017. The Company expects to complete facility exit cost payments related to the plan during the year ended December 31, 2018.

The following table provides a summary of the aggregate activity for the year ended December 31, 2017 related to the Company’s combined severance accrual for the 2017, 2016 and 2014 Restructuring Plans (together, the "Restructuring Plans"):

	Employee Severance (in thousands) Total
Balance at December 31, 2016	$ 1,559
Severance charges	13,110
Cash paid	(11,001)
Balance at December 31, 2017	$ 3,668

The following table provides a summary of the aggregate activity for the year ended December 31, 2017 related to the Company’s combined Restructuring Plans facilities exit accrual:

	Facilities (in thousands) Total
Balance at December 31, 2016	$ 9,020
Facility charges, net of estimated sublease income	2,700
Sublease income received	698
Cash paid	(6,413)
Balance at December 31, 2017	$ 6,005

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,		
	2015	2016	2017
		(in thousands)	
Cost of revenue	$ (45)	$ 8,986	$ 4,100
Sales and marketing	555	6,550	3,586
Engineering and development	636	4,288	1,469
General and administrative	343	4,400	6,655
Total severance charges	$ 1,489	$ 24,224	$ 15,810

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, 2017:

Year Ending December 31,	Amount (in thousands)
2018	$ 21,526
2019	20,212
2020	19,633
2021	16,205
2022	13,772
Thereafter	36,612
Total minimum lease payments	$ 127,960

Total net rent expense incurred under non-cancellable operating leases for the years ended December 31, 2015, 2016 and 2017, were $8.2 million, $20.0 million and $22.1 million, respectively. Total sublease income for the years ended December 31, 2015, 2016 and 2017 was $0.2 million, $0.4 million and $0.5 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 (other than the SEC investigations reserve discussed below) 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 former chief executive officer and former chief financial officer, captioned Machado v. Endurance International Group Holdings, Inc., et al, Civil Action No. 1:15-cv-11775-GAO. The plaintiff filed an amended complaint on December 8, 2015, and a second amended complaint on March 18, 2016. The Company moved to dismiss the second amended complaint, but before the court ruled on this motion, with the Company's assent, the plaintiff filed a third amended complaint on June 30, 2017. In the third amended complaint, plaintiffs Christopher Machado and Michael Rubin allege claims for violations of Section 10(b) and 20(a) of the Exchange Act, and Sections 11, 12(a)(2), and 15 of the Securities Act, on behalf of a purported class of purchasers of the Company's securities between October 25, 2013 and December 16, 2015, including persons or entities who purchased or acquired the Company's shares pursuant or traceable to the registration statement and prospectus issued in connection with the Company's October 25, 2013 initial public offering. The plaintiffs challenge as false or misleading certain of the Company's disclosures about the total number of subscribers, average revenue per subscriber, the number of customers paying over $500 per year for Company products and services, and the average number of products sold per subscriber. The plaintiffs seek, on behalf of themselves and the purported class, compensatory damages, rescissory damages as to class members who purchased shares pursuant to the offering and the plaintiffs' costs and expenses of litigation. The Company moved to dismiss the third amended complaint on August 29, 2017. The plaintiffs' memorandum in opposition to the Company's motion to dismiss was filed on October 30, 2017, and the Company's reply memorandum was filed on December 14, 2017. On January 12, 2018, the parties filed a joint motion to stay all proceedings pending the outcome of a mediation between the parties scheduled for February 23, 2018. 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 proceeding.

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 is also in discussions with the Boston Regional Office regarding a potential resolution of its investigation, and has reserved $8.0 million in connection with a potential resolution of both this investigation and the Constant Contact investigation discussed below. The Company can make no assurances as to whether the investigation will be resolved by agreement and/or 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 its 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. As discussed above, the Company is in discussions with the Boston Regional Office regarding a potential resolution of its investigation, and has reserved $8 million in connection with a potential resolution of both this investigation and the Endurance investigation discussed above. The Company currently expects that any settlement arising from the SEC investigation of Constant Contact will involve asserted scienter-based claims. The Company can make no assurances as to whether the investigation will be resolved by agreement and/or 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 its 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 sought 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, Constant Contact 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. Meanwhile, RPost asserted the same patents it asserted against Constant Contact in litigation against GoDaddy. In June 2016, GoDaddy succeeded in invalidating all of those RPost patents, with Endurance filing an amicus brief in the Federal Circuit in support of GoDaddy's position in November 2016. RPost's efforts to appeal, including filing a writ of certiorari with the United States Supreme Court, which was denied on December 11, 2017, were unsuccessful. All claims asserted by RPost against Constant Contact in December 2012 thus remain invalid except for one claim from one patent which RPost did not assert against GoDaddy. Constant Contact has notified RPost that Constant Contact believes the remaining claim is invalid in light of the other litigation that RPost lost. On December 12, 2017, Constant Contact moved to lift the stay in the District Court order to file a Motion for Judgment on the Pleadings invalidating all of the RPost patents-in-suit. While this motion was pending, RPost voluntarily dismissed all of its patent claims against Constant Contact and the defendant marketing partners of Constant Contact on December 29, 2017. On January 19, 2018, the district court entered an order dismissing the lawsuit.

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 an 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"), which named as defendants the former Constant Contact directors and Morgan Stanley & Co. LLC ("Morgan Stanley"), Constant Contact's financial advisor for the acquisition. The Amended Complaint generally alleged breach of fiduciary duty by the former directors, and aiding and abetting the alleged breach by Morgan Stanley. The Constant Contact defendants filed a motion to dismiss the Amended Complaint on December 15, 2016 and an opening brief in support of the motion to dismiss on March 17, 2017. Plaintiff Myers filed an opposition brief to the motion to dismiss on May 17, 2017, and the Constant Contact defendants' reply brief was filed on June 19, 2017. Oral argument took place on October 16, 2017 and the court gave the plaintiff 30 days to consider whether to withdraw the case or move forward and receive a decision on the motion to dismiss. On November 2, 2017, the court entered a Stipulation and Order dismissing the case.

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 2017, 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 2015, 2016 and 2017 plan years were approximately $2.5 million, $5.7 million, $6.3 million respectively.

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 Lan") and its shareholders that allow the Company to effectively control Shanghai Xiao Lan, making it a variable interest entity ("VIE"). Shanghai Xiao Lan has a technology license that allows it to provide local hosting services to customers located in China.

Pursuant to contractual arrangements between the shareholders of Shanghai Xiao Lan and the Company, the shareholders of Shanghai Xiao Lan 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 Lan and its shareholders, the Company performed an analysis and concluded that the Company is the party that is most closely associated with Shanghai Xiao Lan, 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, 2017, the financial position and results of operations of Shanghai Xiao Lan 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, 2015, 2016 and 2017.

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 former chief executive officer, who is also a holder of more than 5.0% of the Company's capital stock.

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, 2015, 2016 and 2017 relating to services provided by Tregaron and its affiliates under these agreements:

	For the Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
Cost of revenue	$ 10,200	$ 12,200	$ 12,100
Sales and marketing	700	500	1,200
Engineering and development	1,100	1,300	1,300
General and administrative	300	300	200
Total related party transaction expense	$ 12,300	$ 14,300	$ 14,800

As of December 31, 2016, and 2017, approximately $1.3 million and $1.5 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 majority owned by a director of the Company and by the Company’s former chief executive officer, who is a holder of more than 5.0% of the Company's capital stock. During the year ended December 31, 2017, the Company’s principal agreement with this entity was amended to permit the Company to purchase a specific IBS website performance product at no charge, and in exchange, to increase the revenue share to IBS on certain website performance products. The Company records revenue on the sale of IBS products on a net basis, since the Company views IBS as the primary obligor to deliver these services. As a result, the revenue share paid by the Company to IBS is recorded as contra-revenue. Further, IBS pays the Company a fee on sales made by IBS directly to customers of the Company. The Company records these fees as 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, 2015, 2016 and 2017 relating to services provided by IBS under these agreements:

	For the Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
Revenue	$ (1,300)	$ (3,100)	$ (4,250)
Revenue (contra)	7,000	7,500	7,850
Total related party transaction impact to revenue	$ 5,700	$ 4,400	$ 3,600
Cost of revenue	600	700	675
Total related party transaction expense, net	$ 6,300	$ 5,100	$ 4,275

As of December 31, 2016 and 2017, 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, 2016 and 2017, approximately 1.1 million and 1.3 million, respectively was included in accounts payable and accrued expense relating to the Company’s agreements with IBS.

As of December 31, 2016 and 2017, approximately $0.6 million and $0.7 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.

Goldman Sachs Lending Partners LLC, a subsidiary of Goldman, was one of the joint bookrunners and joint lead arrangers for the 2017 Refinancing. In that capacity, Goldman Sachs Lending Partners LLC received an arrangement fee of $0.5 million, and was reimbursed for an immaterial amount of expenses.

A subsidiary of Goldman Sachs is also the counterparty to the Company's 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 therefore 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 for the year ended December 31, 2016, and due to the resulting 2016 legacy performance, the Company determined it had two reportable segments.

The Company has experienced significant changes in its management structure during fiscal year 2017, including a change in its chief executive officer, who is the Company's chief operating decision maker ("CODM"). The Company's leadership structure has been revised to centralize management of certain domain leading brands in order to improve overall performance. As a result of these management changes, management has revised internal financial reporting structures, and broken the former web presence segment into two reportable segments, web presence and domains. The Company's third reportable segment, email marketing, remains unchanged.

The products and services included in each of the three reportable segments are as follows:

Web Presence. The web presence segment consists primarily of the Company's web hosting brands, such as Bluehost and HostGator, and related products such as domain names, website security, website design tools and services, and e-commerce products.

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

Email Marketing. The email marketing segment consists of Constant Contact email marketing tools and related products and our SinglePlatform digital storefront solution.

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

The accounting policies of each segment are the same as those described in the summary of significant accounting policies, refer to *Note 2: Summary of Significant Accounting Policies*, for further details. The following tables contain financial information for each reportable segment for the years ended December 31, 2015, 2016 and 2017, with the 2015 and 2016 results recast to conform with the 2017 presentation:

	Year ended December 31, 2015			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 596,687	$ —	$ 144,628	$ 741,315
Gross profit	267,946	—	48,334	316,280
Net loss	(34,049)	—	8,279	(25,770)
Plus:				
Interest expense, net[2]	56,663	—	1,751	58,414
Income tax expense (benefit)	12,756	—	(1,414)	11,342
Depreciation	31,947	—	2,063	34,010
Amortization of other intangible assets	83,106	—	7,951	91,057
Stock-based compensation	25,513	—	4,412	29,925
Restructuring expenses	1,210	—	279	1,489
Transaction expenses and charges	8,265	—	1,317	9,582
Gain of unconsolidated entities[3]	9,200	—	—	9,200
Impairment of other long-lived assets[4]	—	—	—	—
Adjusted EBITDA	$ 194,611	$ —	$ 24,638	$ 219,249

	Year ended December 31, 2016			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 648,732	$ 326,808	$ 135,602	$ 1,111,142
Gross profit	309,116	173,163	44,872	527,151
Net loss	(24,382)	(55,857)	(990)	(81,229)
Plus:				

	Web presence	Email marketing	Domain	Total
Interest expense, net[2]	68,617	81,469	2,226	$ 152,312
Income tax expense (benefit)	(79,632)	(33,543)	3,317	$ (109,858)
Depreciation	33,590	23,747	3,023	$ 60,360
Amortization of other intangible assets	72,733	64,679	6,150	$ 143,562
Stock-based compensation	41,481	12,403	4,383	$ 58,267
Restructuring expenses	1,625	22,379	220	$ 24,224
Transaction expenses and charges	31,260	984	40	$ 32,284
Gain of unconsolidated entities[3]	(565)	—	—	$ (565)
Impairment of other long-lived assets[4]	9,039	—	—	9,039
Adjusted EBITDA	$ 153,766	$ 116,261	$ 18,369	$ 288,396

	Year ended December 31, 2017			
	Web presence	Email marketing	Domain	Total
	(in thousands)			
Revenue[1]	$ 641,993	$ 401,250	$ 133,624	$ 1,176,867
Gross profit	298,687	254,941	19,309	572,937
Net loss	(70,375)	(10,615)	(18,794)	(99,784)
Plus:				
Interest expense, net[2]	67,491	86,914	2,001	$ 156,406
Income tax expense (benefit)	2,575	5,152	(25,008)	(17,281)
Depreciation	37,634	13,912	3,639	55,185
Amortization of other intangible assets	60,277	74,467	5,610	140,354
Stock-based compensation	46,641	6,934	6,426	60,001
Restructuring expenses	9,131	5,581	1,098	15,810
Transaction expenses and charges	—	773	—	773
Gain of unconsolidated entities[3]	(110)	—	—	(110)
Impairment of other long-lived assets[4]	600	—	30,860	31,460
SEC investigations reserve	4,323	2,751	926	8,000
Adjusted EBITDA	$ 158,187	$ 185,869	$ 6,758	$ 350,814
Total assets	$ 1,534,225	$ 903,869	$ 144,615	

(1) Revenue excludes intercompany sales of domain sales and domain services from the domain segment to the web presence segment of $4.9 million, $7.6 million and $9.9 million, for fiscal years 2015, 2016 and 2017, respectively.

(2) Interest expense includes impact of amortization of deferred financing costs, original issue discounts and interest income. For the year ended December 31, 2017, it also includes $6.5 million of deferred financing costs and OID immediately expensed upon the 2017 Refinancing.

(3) The (gain) loss of unconsolidated entities is reported on a net basis for the years ended December 31, 2016 and 2017. The The year ended December 31, 2016 includes an $11.4 million gain on the Company's investment in WZ UK, Ltd. This gain was generated on January 6, 2016, when the Company increased its ownership stake in WZ UK from 49% to 57.5%, which required a revaluation of its existing investment to its implied fair value. This gain was offset by the following: a loss of $4.8 million on an investment in AppMachine B.V., which was generated on July 27, 2016, when the Company increased its ownership stake in AppMachine from 40% to 100%, which required a revaluation of the existing investment to its implied fair value; a loss of $4.7 million on the impairment of the Company's 33% equity investment in Fortifico Limited; and the Company's proportionate share of net losses from unconsolidated entities of $1.3 million.

(4) The impairment of other long lived assets for the year ended December 31, 2016 includes $7.0 million of impairment charges related to developed and in-process technology related to the Webzai acquisition, and $2.0 million of internally developed software that was abandoned. The impairment of other long-lived assets for the year ended December 31, 2017 includes $13.8 million related to certain domain name intangible assets, $0.6 million to write off a debt investment in a privately held entity, $12.1 million related to

impairment of goodwill associated with the domain segment, and $4.9 million related to developed technology and customer relationships associated with the Directi acquisition.

21. Geographic and Other Information

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

	Year Ended December 31,		
	2015	2016	2017
		(in thousands)	
United States	$ 465,446	$ 787,915	$ 845,305
International	275,869	323,227	331,562
Total	$ 741,315	$ 1,111,142	$ 1,176,867

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

	2016	2017
	(in thousands)	
United States	$ 89,147	$ 89,325
International	6,125	6,127
Total	$ 95,272	$ 95,452

The Company’s revenue is generated primarily from products and services delivered on a subscription basis, which include web hosting, domains, website builders, search engine marketing, email marketing and other similar services. The Company also generates non-subscription revenue through domain monetization and marketing development funds. Non-subscription revenue increased 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, and remained consistent at $39.4 million, or 3% of total revenue for the year ended December 31, 2017. The majority of the Company's non-subscription revenue is included in its domain segment.

No individual international country represented more than 10% of total revenue in any period presented. Furthermore, substantially all of the Company's tangible long-lived assets are located in the United States.

22. Quarterly Financial Data (unaudited)

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

	For the three months ended							
	March 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017
	(in thousands, except per share data)							
Revenue	$ 237,113	$ 290,713	$ 291,193	$ 292,123	$ 295,137	$ 292,258	$ 295,222	$ 294,250
Gross profit	100,637	137,636	141,766	147,112	146,388	145,675	136,357	144,517
Income (loss) from operations	(66,311)	(6,168)	8,879	24,260	13,594	12,647	(1,070)	14,660
Net income (loss) attributable to Endurance International Group Holdings, Inc.	$ 21,811	$ (28,040)	$ (31,737)	$ (34,865)	$ (35,388)	$ (39,129)	$ (40,264)	$ 7,473
Basic net income (loss) per share attributable to Endurance International Group Holdings, Inc.	$ 0.17	$ (0.21)	$ (0.24)	$ (0.26)	$ (0.26)	$ (0.29)	$ (0.29)	$ 0.05
Diluted net income (loss) per share attributable to Endurance International Group Holdings, Inc.	$ 0.16	$ (0.21)	$ (0.24)	$ (0.26)	$ (0.26)	$ (0.29)	$ (0.29)	$ 0.05

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 and 2017 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.

For the year ended December 31, 2017, the Company recorded a tax benefit of $17.3 million, which was primarily related to a federal and state deferred tax benefit of $21.8 million (which includes $16.9 million tax benefit pertaining to the federal tax rate change as a result of the Tax Cuts and Jobs Act of 2017 and the identification and recognition of $2.2 million of U.S. federal and state tax credits) and to a foreign deferred tax benefit of $1.0 million, partially offset by a provision for federal and state current income taxes of $1.8 million, a reserve of $1.1 million for unrecognized tax benefits, and foreign current tax expense of $2.6 million.

23. 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 exchanged 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 registered exchange offer for the Notes was completed on January 30, 2017. 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, 2016 and December 31, 2017, and supplemental condensed consolidating results of operations and cash flow information for the years ended December 31, 2015, 2016 and 2017:

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 Balance Sheets
December 31, 2017
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash and cash equivalents	$ 92	$ 2	$ 54,473	$ 11,926	$ —	$ 66,493
Restricted cash	—	—	2,472	153	—	2,625
Accounts receivable	—	—	12,386	3,559	—	15,945
Prepaid domain name registry fees	—	—	28,291	25,514	—	53,805
Prepaid expenses & other current assets	(12)	86	20,062	9,191	—	29,327
Total current assets	80	88	117,684	50,343	—	168,195
Intercompany receivables, net	33,637	606,834	(498,213)	(142,258)	—	—
Property and equipment, net	—	—	81,693	13,759	—	95,452
Goodwill	—	—	1,673,851	176,731	—	1,850,582
Other intangible assets, net	—	—	450,778	4,662	—	455,440
Investment in subsidiaries	49,288	1,355,013	37,200	—	(1,441,501)	—
Other assets	—	3,639	21,373	6,405	—	31,417
Total assets	$ 83,005	$ 1,965,574	$ 1,884,366	$ 109,642	$ (1,441,501)	$ 2,601,086
Liabilities, redeemable non-controlling interest and stockholders' equity:						
Current liabilities:						
Accounts payable	$ —	$ —	$ 9,532	$ 1,526	$ —	$ 11,058
Accrued expenses and other current liabilities	—	24,509	75,819	8,151	—	108,479
Deferred revenue	—	—	309,395	52,545	—	361,940
Current portion of notes payable	—	33,945	—	—	—	33,945
Current portion of capital lease obligations	—	—	7,630	—	—	7,630
Deferred consideration, short-term	—	—	4,365	—	—	4,365
Total current liabilities	—	58,454	406,741	62,222	—	527,417
Deferred revenue, long-term	—	—	81,199	9,773	—	90,972
Notes payable	—	1,858,300	—	—	—	1,858,300
Capital lease obligations	—	—	7,719	—	—	7,719
Deferred consideration	—	—	3,551	—	—	3,551
Other long-term liabilities	—	(468)	30,143	447	—	30,122
Total liabilities	—	1,916,286	529,353	72,442	—	2,518,081
Equity	83,005	49,288	1,355,013	37,200	(1,441,501)	83,005
Total liabilities and equity	$ 83,005	$ 1,965,574	$ 1,884,366	$ 109,642	$ (1,441,501)	$ 2,601,086

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
Income (loss) before equity earnings of unconsolidated entities	—	(67,340)	58,226	(2,422)	406	(11,130)
Equity (income) loss of unconsolidated entities, net of tax	26,176	(41,164)	17,063	—	12,565	14,640
Net income (loss)	(26,176)	(26,176)	41,163	(2,422)	(12,159)	(25,770)
Net loss attributable to non-controlling interest	—	—	—	—	—	—
Net income (loss) attributable to Endurance	$ (26,176)	$ (26,176)	$ 41,163	$ (2,422)	$ (12,159)	$ (25,770)
Comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(1,281)	—	(1,281)
Unrealized gain on cash flow hedge	—	80	—	—	—	80
Total comprehensive income (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)
Income (loss) before equity earnings of unconsolidated entities	—	(95,907)	72,451	(56,716)	240	(79,932)
Equity (income) loss of unconsolidated entities, net of tax	73,071	(22,837)	58,014	297	(107,248)	1,297
Net income (loss)	$ (73,071)	$ (73,070)	$ 14,437	$ (57,013)	$ 107,488	$ (81,229)
Net income (loss) attributable to non-controlling interest	—	—	(8,398)	—	—	(8,398)
Net income (loss) attributable to Endurance International Group Holdings, Inc.	(73,071)	(73,070)	22,835	(57,013)	107,488	(72,831)
Comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	(597)	—	(597)
Unrealized loss on cash flow hedge		(1,351)	—	—	—	(1,351)
Total comprehensive income (loss)	$ (73,071)	$ (74,421)	$ 22,835	$ (57,610)	$ 107,488	$ (74,779)

Condensed Consolidating Statements of Operations and Comprehensive Loss
Year Ended December 31, 2017
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ —	$ 1,055,013	$ 128,350	$ (6,496)	$ 1,176,867
Cost of revenue	—	—	515,065	94,082	(5,217)	603,930
Gross profit	—	—	539,948	34,268	(1,279)	572,937
Operating expense:						
Sales and marketing	—	—	256,902	20,561	(3)	277,460
Engineering and development	—	—	66,051	12,721	—	78,772
General and administrative	—	207	155,339	9,054	(628)	163,972
Transaction expenses	—	—	773	—	—	773
Impairment of goodwill			12,129			12,129
Total operating expense	—	207	491,194	42,336	(631)	533,106
Income (loss) from operations	—	(207)	48,754	(8,068)	(648)	39,831
Interest expense and other income —net	—	156,144	1,338	(476)	—	157,006
Income (loss) before income taxes and equity earnings of unconsolidated entities	—	(156,351)	47,416	(7,592)	(648)	(117,175)
Income tax expense (benefit)	—	(57,504)	39,125	1,098	—	(17,281)
Income (loss) before equity earnings of unconsolidated entities	—	(98,847)	8,291	(8,690)	(648)	(99,894)
Equity (income) loss of unconsolidated entities, net of tax	99,137	290	8,581	(17)	(108,101)	(110)
Net income (loss)	$ (99,137)	$ (99,137)	$ (290)	$ (8,673)	$ 107,453	$ (99,784)
Net loss attributable to non-controlling interest	—	—	7,524	—	—	7,524
Net income (loss) attributable to Endurance International Group Holdings, Inc.	(99,137)	(99,137)	(7,814)	(8,673)	107,453	(107,308)
Comprehensive income (loss):						
Foreign currency translation adjustments	—	—	—	3,091	—	3,091
Unrealized gain (loss) on cash flow hedge		34	—	—	—	34
Total comprehensive income (loss)	$ (99,137)	$ (99,103)	$ (7,814)	$ (5,582)	$ 107,453	$ (104,183)

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

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
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

Condensed Consolidating Statements of Cash Flows
Year Ended December 31, 2017
(in thousands)

	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 12	$ (82,189)	$ 284,912	(1,462)		$ 201,273
Cash flows from investing activities:	—	—	—	—	—	
Purchases of property and equipment	—	—	(38,731)	(4,331)	—	(43,062)
Cash paid for minority investments	—	—	—	—	—	—
Proceeds from sale of assets	—	—	530	—	—	530
Purchases of intangible assets	—	—	(1,932)	(34)	—	(1,966)
Net (deposits) and withdrawals of principal balances in restricted cash accounts	—	—	148	529	—	677
Net cash used in investing activities	—	—	(39,985)	(3,836)	—	(43,821)
Cash flows from financing activities:						
Proceeds from issuance of notes payable and draws on revolver	—	1,693,007	—	—	—	1,693,007
Repayment of notes payable and revolver	—	(1,797,634)	—	—	—	(1,797,634)
Payment of financing costs	—	(6,304)	—	—	—	(6,304)
Payment of deferred consideration	—	—	(4,550)	(883)	—	(5,433)
Payment of redeemable non-controlling interest liability	—	—	(25,000)	—	—	(25,000)
Principal payments on capital lease obligations	—	—	(7,390)	—	—	(7,390)
Proceeds from exercise of stock options	2,049	—	—	—	—	2,049
Capital investments from minority partner	—	—	—	—	—	—
Intercompany loans and investments	(1,972)	193,118	(192,548)	1,402	—	—
Net cash provided by (used in) financing activities	77	82,187	(229,488)	519	—	(146,705)
Net effect of exchange rate on cash and cash equivalents	—	—	—	2,150	—	2,150
Net increase (decrease) in cash and cash equivalents	89	(2)	15,439	(2,629)	—	12,897
Cash and cash equivalents:						
Beginning of period	3	4	39,034	14,555		53,596
End of period	$ 92	$ 2	$ 54,473	$ 11,926	$ —	$ 66,493

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, 2017, 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, 2017, 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, 2017. 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, 2017, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by BDO USA LLP, an independent registered public accounting firm, as stated in the following report:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited Endurance International Group Holdings, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2016 and 2017, 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, 2017 and our report dated February 22, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Boston, Massachusetts
February 22, 2018

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, 2017 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. The disclosure below relates solely to activities conducted by SAMIH and its affiliates. The disclosure does not relate to any activities conducted by us or by WP LLC and does not involve our management or WP LLC's management. Neither we nor WP LLC has had any involvement in or control over the disclosed activities of SAMIH or its affiliates, and neither we nor WP LLC has independently verified or participated in the preparation of the disclosure. Neither we nor WP LLC is representing as to the accuracy or completeness of the disclosure, nor do we or WP LLC undertake any 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, 2017 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 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, 2017. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by the Santander UK Collections & Recoveries department. No revenues or profits were generated by Santander UK on this account in the year ended December 31, 2017.

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 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this report relates.

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The text of our Code of Business Conduct and Ethics is posted under Corporate Governance in the Investor Relations section of our website, www.endurance.com. We intend to disclose on our website any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be disclosed pursuant to the disclosure requirements of Item 5.05 of Form 8-K.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the information disclosed under the heading “Executive Compensation” and under the subheading “Compensation Committee Interlocks and Insider Participation” in our definitive proxy statement for the 2018 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 2018 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 2018 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 2018 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 69 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

Schedules have been omitted since they are either not required or not applicable or the information is otherwise included herein.

(3) Exhibits

Exhibit Number	Description of Exhibit	Incorporated by Reference				Filed Herewith
		Form	File Number	Date of Filing	Exhibit Number	
2.1*	Agreement and Plan of Merger, dated October 30, 2015, by and among Constant Contact, Inc., Endurance International Group Holdings, Inc., and Paintbrush Acquisition Corporation	8-K	001-36131	November 2, 2015	2.1	
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	

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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
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#	Form of Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan (3 year vesting)	10-Q	001-36131	May 9, 2017	10.1
10.14#	Form of Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan (2 year vesting)	10-Q	001-36131	May 9, 2017	10.2
10.15#	Form of Director Restricted Stock Unit Agreement under the 2013 Stock Incentive Plan	10-Q	001-36131	May 9, 2017	10.3
10.16#	Restricted Stock Unit Agreement between Endurance International Group Holdings, Inc. and Jeffrey H. Fox, dated August 22, 2017	10-Q	001-36131	November 3, 2017	10.3
10.17#	Stock Option Agreement between Endurance International Group Holdings, Inc. and Jeffrey H. Fox, dated August 22, 2017	10-Q	001-36131	November 3, 2017	10.4
10.18#	Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan	S-8	333-209680	February 24, 2016	99.1
10.19#	Form of Incentive Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.4
10.20#	Form of Non-Statutory Stock Option Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.5
10.21#	Form of Restricted Stock Unit Agreement under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2016	10.6

10.22#	Form of Incentive Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.4
10.23#	Form of Non-Statutory Stock Option Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.5
10.24#	Form of Restricted Stock Unit Agreement (double trigger) under the 2011 Stock Incentive Plan	10-Q	001-36131	August 8, 2016	10.6
10.25#	Form of Restricted Stock Unit Agreement (double trigger, 3 year vesting) under the 2011 Stock Incentive Plan	10-Q	001-36131	May 9, 2017	10.4
10.26#	Changes to NEO Target Annual Cash Bonus Percentages	10-Q	001-36131	August 8, 2016	10.7
10.27#	2017 Management Incentive Plan	8-K	001-36131	May 16, 2017	10.1
10.28#	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
10.29#	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
10.30#	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
10.31#	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
10.32#	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
10.33#	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
10.34#	Offer Letter, dated as of January 21, 2016, by and between the Registrant and Kenneth J. Surdan	10-K	001-36131	February 24, 2017	10.28
10.35#	Executive Severance Agreement by and among Constant Contact, Inc. and Kenneth J. Surdan, effective as of June 21, 2012	10-K	001-36131	February 24, 2017	10.29
10.36#	Retention Agreement by and between Kenneth Surdan and the Registrant entered into on or about March 15, 2016	10-K	001-36131	February 24, 2017	10.30
10.37#	Employment Agreement, dated as of March 22, 2017, by and between the Registrant and Ronald LaSalvia	10-Q	001-36131	May 9, 2017	10.5
10.38#	Employment Agreement, dated as of March 27, 2017, by and between the Registrant and John Orlando	10-Q	001-36131	May 9, 2017	10.6
10.39#	Transition, Separation and Release of Claims Agreement, dated April 17, 2017, between Endurance International Group Holdings, Inc. and Hari Ravichandran	8-K	001-36131	April 17, 2017	10.1

10.40#	Employment Agreement, dated as of August 11, 2017, by and between Endurance International Group Holdings, Inc. and Jeffrey H. Fox	8-K	001-36131	August 14, 2017	10.1	
10.41#	Separation and Release Agreement, dated as of July 16, 2017, by and between The Endurance International Group, Inc. and Kenneth Surdan	10-Q	001-36131	November 3, 2017	10.5	
10.42#	Separation and Release Agreement, dated as of November 1, 2017, by and between The Endurance International Group, Inc. and Katherine Andreasen					X
10.43#	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	
10.44#	Indemnification Agreement, dated as of August 22, 2017, by and between Endurance International Group Holdings, Inc. and Jeffrey H. Fox	10-Q	001-36131	November 3, 2017	10.2	
10.45	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	
10.46	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	
10.47	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	
10.48	Fourth Amendment to Lease, dated as of November 14, 2014, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-K	001-36131	February 27, 2015	10.20	
10.49	Fifth Amendment to Lease, dated as of January 26, 2017, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.	10-Q	001-36131	May 9, 2017	10.7	
10.50	Sixth Amendment to Lease, dated as of September 8, 2017, by and between Burlington Centre Owner LLC and The Endurance International Group, Inc.					X
10.51+	Office Lease, dated January 30, 2015, by and between Papago Buttes Corporate, LLC and The Endurance International Group, Inc., as amended by the First Amendment to Lease dated August 23, 2016 and the Second Amendment to Lease dated January 15, 2017	10-Q	001-36131	May 9, 2017	10.8	
10.52+	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	

10.53+	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
10.54+	Master Service Agreement (United States), dated as of November 28, 2011, by and between The Endurance International Group, Inc. and Equinix Operating Co., Inc., as amended by Replacement Order 110712 and Replacement Order 112014, each effective as of December 2, 2014	10-K	001-36131	February 27, 2015	10.24
10.55+	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
10.56+	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
10.57	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
10.58	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
10.59	Third Amendment to Datacenter Lease dated as of August 7, 2017 between Digital 55 Middlesex, LLC and Constant Contact, Inc.	10-Q	001-36131	November 3, 2017	10.6
10.60+	Master Services Agreement between Data Foundry, Inc. and HostGator.com LLC dated October 23, 2014, as amended by the Contract Addendum dated October 23, 2014, the Amendment to the Master Services Agreement dated August 21, 2015, the 2nd Amendment to Master Services Agreement dated July 23, 2016, and the Power Amendment to the Master Services Agreement dated October 25, 2016	10-Q	001-36131	August 4, 2017	10.4

10.61+	cPanel Partner NOC Agreement dated as of January 1, 2014 by and between cPanel, Inc. and The Endurance International Group, Inc., as amended by Amendment No. 1 to Partner NOC Agreement dated March 14, 2014, Amendment to Amendment No. 1 to Partner NOC Agreement dated October 1, 2015, and Second Amendment to Partner NOC Agreement dated December 31, 2017					X
10.62+	Master Services Agreement dated as of September 25, 2013 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC, as amended by Amendment No. 1 dated as of February 7, 2014 and Amendment No. 2 dated as of December 5, 2014	10-K	001-36131	February 24, 2017	10.43	
10.63+	Master Services Agreement Amendment No. 3 dated as of December 18, 2017 between The Endurance International Group, Inc. and Tregaron India Holdings, LLC					X
10.64	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	
10.65	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	
10.66	Revolving Facility Amendment to Third Amended and Restated Credit Agreement, dated as of February 9, 2016, among EIG Investors Corp., the Registrant, the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent and issuing bank	8-K	001-36131	February 10, 2016	10.1	
10.67	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	
10.68	Refinancing Amendment to Third Amended and Restated Credit Agreement, dated as of June 14, 2017, among EIG Investors Corp., Endurance International Group Holdings, Inc., the other Loan Parties party thereto, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent	8-K	001-36131	June 14, 2017	10.1	

10.69	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	
10.70	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	
10.71	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	
10.72	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
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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.

Date: February 22, 2018	By:	/s/ Jeffrey H. Fox
		Jeffrey H. Fox
		Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jeffrey H. Fox Jeffrey H. Fox	President, Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2018
/s/ Marc Montagner Marc Montagner	Chief Financial Officer (Principal Financial Officer)	February 22, 2018
/s/ Timothy Mathews Timothy Mathews	Chief Accounting Officer (Principal Accounting Officer)	February 22, 2018
/s/ James C. Neary James C. Neary	Chairman of the Board	February 22, 2018
/s/ Dale Crandall Dale Crandall	Director	February 22, 2018
/s/ Joseph P. DiSabato Joseph P. DiSabato	Director	February 22, 2018
/s/ Tomas Gorny Tomas Gorny	Director	February 22, 2018
/s/ Michael Hayford Michael Hayford	Director	February 22, 2018
/s/ Peter J. Perrone Peter J. Perrone	Director	February 22, 2018
/s/ Chandler J. Reedy Chandler J. Reedy	Director	February 22, 2018
/s/ Justin L. Sadrian Justin L. Sadrian	Director	February 22, 2018

ENDURANCE
International Group

ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive, Suite 300
Burlington, Massachusetts 01803

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 23, 2018

The 2018 Annual Meeting of Stockholders of Endurance International Group Holdings, Inc. will be held on Wednesday, May 23, 2018 at 2:00 p.m., Eastern time, at Boston Marriott Burlington at One Burlington Mall Road, Burlington, Massachusetts 01803. At the Annual Meeting, stockholders will consider and act upon the following matters:

1. To elect three Class II directors nominated by our Board of Directors, each to serve for a term ending in 2021, 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, 2018; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record on our books at the close of business on March 26, 2018, 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-and-presentations. 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, May 18, 2018 to Angela White at 781-852-3250, or by e-mail to ir@endurance.com.

By Order of the Board of Directors,

DAVID C. BRYSON
Secretary

April 13, 2018

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ENDURANCE INTERNATIONAL GROUP HOLDINGS, INC.
10 Corporate Drive, Suite 300
Burlington, Massachusetts 01803

PROXY STATEMENT

For the 2018 Annual Meeting of Stockholders on May 23, 2018

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 2018 Annual Meeting of Stockholders, to be held on Wednesday, May 23, 2018 at 2:00 p.m., Eastern time, at Boston Marriott Burlington at One Burlington Mall Road, 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 2017 Annual Report to Stockholders were first made available to stockholders on or about April 13, 2018.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS

For the 2018 Annual Meeting of Stockholders on May 23, 2018

This proxy statement and the 2017 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, 2017, 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) 852-3250

This proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2017 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 2018 Annual Meeting of Stockholders, or Annual Meeting, to be held at Boston Marriott Burlington at One Burlington Mall Road, Burlington, Massachusetts 01803 on Wednesday, May 23, 2018 at 2:00 p.m., Eastern time.

Q. Who can vote at the Annual Meeting?

A. Our Board has fixed March 26, 2018 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 141,628,436 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, May 18, 2018 to Angela White at 781-852-3250, 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 May 22, 2018, the day before the Annual Meeting, for your proxy to be valid and your vote to count.

(2) **By Telephone**: Call (800) 690-6903, toll free from the United States, Canada and Puerto Rico, and follow the recorded instructions. You must specify how you want your shares voted and confirm your vote at the end of the call or your telephone vote cannot be completed. Your shares will be voted according to your instructions. You must submit your telephonic proxy before 11:59 p.m., Eastern time, on May 22, 2018, the day before the Annual Meeting, for your proxy to be valid and your vote to count.

(3) **By Mail**: If you elected to receive printed materials, you may complete and sign your proxy card included with those materials and mail it in the enclosed postage prepaid envelope to Broadridge. Broadridge must receive the proxy card not later than May 22, 2018, 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 May 22, 2018.

(2) If you have elected to receive printed materials, sign a new proxy and submit it as instructed above. Only your latest dated proxy, received by Broadridge not later than May 22, 2018, 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 II 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 II 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, 2018 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, 2018.

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 II Director at the Annual Meeting will only be elected if the votes cast "FOR" such nominee exceed the number of votes cast "AGAINST" such nominee. Our Corporate Governance Guidelines require that as a condition to being nominated by the Board for re-election as a director, each incumbent director must tender to the Board an irrevocable resignation that will become effective upon both (i) only in the case of an uncontested election, the candidate's failure to receive the required vote and (ii) Board acceptance of such resignation. If any incumbent director does not receive the required vote in an uncontested election, the Board will decide (based on the recommendation of a committee of independent directors) whether to accept the director's resignation within 90 days after the election results are certified. We will promptly publicly disclose the Board's decision regarding the resignation and, if such resignation is rejected, the rationale behind the decision. If the Board accepts the director's resignation, the Board may fill the resulting vacancy or may decrease the size of the Board in accordance with our amended and restated bylaws. Our Corporate Governance Guidelines are posted on our website at http://ir.endurance.com/corporate-governance.

Q. Are there other matters to be voted on at the Annual Meeting?

A. We do not know of any matters that may come before the Annual Meeting other than the election of three Class II 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 26, 2018.

Name	Age	Position
Jeffrey H. Fox	56	President, Chief Executive Officer and Director
James C. Neary(2)(3)	53	Chairman of the Board
Dale Crandall(1)	76	Director
Joseph P. DiSabato(2)(3)	51	Director
Tomas Gorny	42	Director
Michael Hayford(1)	58	Director
Peter J. Perrone(1)	50	Director
Chandler J. Reedy(3)	37	Director
Justin L. Sadrian(2)	45	Director

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating and Corporate Governance Committee

Jeffrey H. Fox has served as a director and president and chief executive officer of our company since August 2017. Mr. Fox is a principal of The Circumference Group LLC, an investment and advisory firm which he founded in 2009. He was president and chief executive officer of Convergys Corporation, a customer management company, from 2010 to November 2012, and has served as chairman of its board of directors since 2012. Prior to that, Mr. Fox held multiple senior leadership roles at Alltel Corporation over a 13 year period, including chief operating officer, Group President—Shared Services, and Group President—Alltel Information Services. In addition to his board position at Convergys Corporation, Mr. Fox currently serves on the board of Avis-Budget, Inc., and within the last five years, he has served on the board of Blackhawk Network Holdings, Inc. We believe Mr. Fox is qualified to serve on our Board due to his extensive experience leading strategy and operations for public companies in the technology, information services and telecom industries.

James C. Neary has served as our chairman since December 2011. Mr. Neary is a managing director and partner at Warburg Pincus 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., and within the last five years, Mr. Neary has served on the board of Fidelity National Information Services, Inc. We believe Mr. Neary is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and as chairman of other companies and his deep familiarity with our company.

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 Bridgepoint Education, Inc. Previously, Mr. Crandall served as lead trustee of The Dodge & Cox Mutual Funds, and as a director of Ansell Limited, 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. 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. 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 AtScale, Inc., a business intelligence and big data analytics company, where he has served since September 2017. Previously, Mr. Perrone served as the chief financial officer of Percolate Industries, Inc., a marketing technology company, from December 2015 to August 2017, and was with Limelight Networks, Inc., a digital presence management company, where he served as its chief financial officer from November 2013 to December 2015, and as its senior vice president from August 2013 to November 2013. Mr. Perrone also served as a director of Limelight Networks from 2006 to August 2013. From 1999 to August 2013, Mr. Perrone was with Goldman Sachs, where he had served as managing director in its Principal Investment Area since 2007. We believe Mr. Perrone is qualified to serve on our Board due to his experience evaluating and providing guidance and strategic advice to technology and software companies, as well as his deep familiarity with our company.

Chandler J. Reedy has served as a director of our company since December 2011. Mr. Reedy is a managing director and partner at Warburg Pincus, where he has also served as an associate and as a principal, and joined the firm in 2004. Mr. Reedy leads the firm's late-stage investments in the technology and business services sectors. Prior to joining Warburg Pincus, he worked in UBS' Investment Banking Division where he advised corporations and financial sponsors on mergers and acquisitions and leveraged financings. We believe Mr. Reedy is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and deep familiarity with our company.

Justin L. Sadrian has served as a director of our company since December 2011. Mr. Sadrian is a managing director and partner at Warburg Pincus and joined the firm in 2000. Mr. Sadrian focuses on the firm's media, internet and information investments. Prior to joining the firm, Mr. Sadrian worked at JP Morgan in its investment banking and private equity groups. Within the last five years, Mr. Sadrian has served on the board of Grubhub Inc. We believe Mr. Sadrian is qualified to serve on our Board due to his extensive knowledge of strategy and business development, wide-ranging experience as a director and deep familiarity with our company.

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 15 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 our annual meeting of stockholders held in 2020;
- the Class II directors are Messrs. Crandall, Gorny and Sadrian, and their terms will expire at this Annual Meeting; and
- the Class III directors are Messrs. DiSabato, Fox and Neary, 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.

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. Fox 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, Mr. Fox, to focus on running the business, while the chairman of our Board, Mr. Neary, leads the Board in its fundamental role of providing advice to and oversight of management. Mr. Neary has been an integral part of the leadership of our company and our Board since December 2011, and our Board believes that he is well situated to lead the Board in these responsibilities. Our Board believes this leadership structure is appropriate at the current time because it balances independent oversight and operational execution.

Board Committees

Our Board has established Audit, Compensation, and Nominating and Corporate Governance Committees, each of which operates under a charter that has been approved by our Board. A copy of each committee's charter has been posted on the corporate governance section of our website, *www.endurance.com*.

Audit Committee

The Audit Committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- overseeing our internal audit function;
- overseeing our risk assessment and risk management policies;
- 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 thirteen times during 2017 and acted by written consent twice.

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 our Board with respect to management succession planning;

- reviewing and discussing with management our "Compensation Discussion and Analysis"; and
- preparing the Compensation Committee report required by SEC rules to be included in our proxy statement for our annual meeting of stockholders.

The members of our Compensation Committee are Messrs. DiSabato, Neary and Sadrian. The Compensation Committee met five times during 2017 and acted by written consent nine 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 three times during 2017 and acted by written consent once.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or served during 2017, 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 2019 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, ten times during 2017 and acted by written consent twelve times. During 2017, each incumbent director attended at least 75% of the aggregate of the number of Board meetings held while he was a member of the Board 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. None of our current directors attended our 2017 annual meeting of stockholders. Mr. Fox did not join us as president, chief executive officer and a member of our Board until after our 2017 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 26, 2018.

Name	Age	Position
Marc Montagner	56	Chief Financial Officer
John Orlando	52	Chief Marketing Officer
David C. Bryson	65	Chief Legal Officer

Marc Montagner has served as our chief financial officer since September 2015. From May 2017 to February 2018, Mr. Montagner also served as our interim chief operating officer. Mr. Montagner was previously chief financial officer at LightSquared, Inc. (now Ligado Networks) from January 2012 until August 2015. Previously, he had been executive vice president of sales, marketing and strategy at LightSquared from 2009 to 2010. On May 14, 2012, LightSquared filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. From June 2010 to December 2011, Mr. Montagner served as managing partner of DuPont Circle Partners LLC. Prior to joining LightSquared in February of 2009, Mr. Montagner was managing director and co-head of the Global Telecom, Media and Technology Merger and Acquisition Group at Banc of America Securities. Until 2006, he was senior vice president, corporate development and M&A with the Sprint Nextel Corporation. Prior to 2002, Mr. Montagner was a managing director in the Media and Telecom Group at Morgan Stanley.

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.

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.

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, 2017 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 $15,000 per month based on current exchange rates and increases by 5% annually through the end of the term.

Vidya Ravichandran and Indira Ravichandran, the sister and mother, respectively, of Hari Ravichandran, our former chief executive officer and current holder of more than 5% of our capital stock, together with Vidya Ravichandran's spouse, are collectively majority owners of GlowTouch Technologies. Dr. V. Ravichandran, the father of Hari Ravichandran, is director of both Diya and Glowtouch and Indira Ravichandran is managing director of Diya and director of Glowtouch. Dr. V. Ravichandran and Indira Ravichandran are both members of the boards of directors of Diya and Glowtouch. Vidya Ravichandran is president of GlowTouch Technologies and Touch Web. In 2017, we recorded expenses of $14.8 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 and performance products that we and IBS offer to our customer base. Mr. Ravichandran and our director Mr. Gorny own a majority of IBS. Under our primary 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. We also have two much smaller agreements with IBS relating to our India business and a small non-strategic web hosting brand, respectively, pursuant to which we pay IBS a revenue share for sales of IBS products and services and exclusively offer IBS for website security solutions to customers of these businesses. In 2017, we recorded expenses of $4.3 million in connection with our relationship with IBS, including these two smaller agreements.

Nextiva, Inc., or Nextiva, provides voice over internet protocol, or VOIP, phone services to several of our office locations including Burlington, Massachusetts and Tempe, Arizona. Mr. Gorny is the chief executive officer, a director and the majority owner of Nextiva. In 2017, we paid Nextiva approximately $145,000 for VOIP phone services.

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 26, 2018, holders of a total of 65,693,919 shares of our common stock have the right to require us to register these shares under the Securities Act of 1933, as amended, or the Securities Act, under specified circumstances. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act.

We may be required by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs to register all or part of their shares of common stock in accordance with the Securities Act and the 2013 registration rights agreement. The net aggregate offering price of shares that investment funds and entities affiliated with Warburg Pincus or Goldman Sachs propose to sell in any underwritten offering must be at least $50 million, or such holder must propose to sell all of such holder's shares if the net aggregate offering price of such shares is less than $50 million. We are not obligated to effect more than three demand registrations at the request of investment funds and entities affiliated with Warburg Pincus and one demand registration at the request of investment funds and entities affiliated with Goldman Sachs, or effect more than one marketed underwritten offering in any consecutive 90-day period without the consent of investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs. There is no limitation on the number of unmarketed underwritten offerings that we may be obligated to effect at the request of investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs. We have specified rights to delay the filing or initial effectiveness of, or suspend the use of, any registration statement filed or to be filed in connection with an exercise of a holder's demand registration rights.

In addition, if we propose to file a registration statement under the Securities Act with respect to specified offerings of shares of our common stock, we must allow holders of registration rights to include their shares in that registration. These registration rights are subject to specified conditions and limitations, including the right of the underwriters to limit the number of shares to be registered and our right to delay a registration statement under specified circumstances. Pursuant to the 2013 registration rights agreement, we are required to pay all registration expenses and indemnify each participating holder with respect to each registration of registrable shares that is completed.

Stockholders Agreement

We entered into a stockholders agreement, dated October 24, 2013, which we refer to as the stockholders agreement, with certain holders of our common stock, including investment funds and entities affiliated with Warburg Pincus and Goldman Sachs. The stockholders agreement contains agreements among the parties with respect to the election of our directors, certain restrictions on the issuance and transfer of shares and certain corporate governance matters. The material terms of the stockholders agreement are described below.

Director Designees; Chairman

Under the terms of the stockholders agreement, investment funds and entities affiliated with Warburg Pincus are entitled to designate up to:

- four directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 32,339,279 shares of our common stock, which represents 50% of the shares of our common stock that they held immediately following the closing of our IPO;
- three directors for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 16,169,640 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO; and

- one director for election to our Board for so long as certain investment funds and entities affiliated with Warburg Pincus hold an aggregate of at least 8,084,820 shares of our common stock, which represents 12.5% of the shares of our common stock that they held immediately following the closing of our IPO.

In addition, investment funds and entities affiliated with Goldman Sachs are entitled to designate up to one director to our Board for so long as investment funds and entities affiliated with Goldman Sachs hold an aggregate of at least 5,213,194 shares of our common stock, which represents 25% of the shares of our common stock that they held immediately following the closing of our IPO.

For so long as investment funds and entities affiliated with Warburg Pincus are entitled to designate at least three directors to our Board, the directors designated by investment funds and entities affiliated with Warburg Pincus will be entitled to designate the chairman of our Board.

Removal of Directors

Any director designated by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs may be removed with or without cause only by investment funds and entities affiliated with Warburg Pincus or Goldman Sachs, as applicable.

Quorum

For so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least one director for election to our Board and for so long as investment funds and entities affiliated with Goldman Sachs have the right to designate at least one director for election to our Board, in each case, a quorum of our Board will not exist without at least one director designee of each of Warburg Pincus and Goldman Sachs present at such meeting; provided that if a meeting of our Board fails to achieve a quorum due to the absence of a director designee of Warburg Pincus or Goldman Sachs, as applicable, the presence of at least one director designee of Warburg Pincus or Goldman Sachs, as applicable, will not be required in order for a quorum to exist at the next meeting of our Board.

Approval Rights

For so long as investment funds and entities affiliated with Warburg Pincus have the right to designate at least three directors for election to our Board, in addition to any other vote required by applicable law, certain actions required or permitted to be taken by our stockholders and certain specified corporate transactions may be effected only with the affirmative vote of 75% of our Board, including:

- acquisitions or business combination transactions involving any other entity with an enterprise value in excess of $200 million in the aggregate;
- mergers or other business combinations or other transactions involving a sale of all or substantially all of our and our subsidiaries' assets or a "change in control" under our indebtedness documents;
- dispositions of our or our subsidiaries' assets with a value in excess of $200 million, other than sales of inventory or products in the ordinary course of business;
- any change in the size of our Board;
- any amendment to our restated certificate of incorporation or our amended and restated bylaws;
- any termination of our chief executive officer or designation of a new chief executive officer;
- any change in the composition of any committee of our Board;
- except for ordinary course compensation arrangements, entering into, or modifying, any arrangements with one of our executive officers or any of our or our executive officers' affiliates or associates;
- issuance of additional shares of our or our subsidiaries' capital stock, subject to certain limited exceptions;

- incurrence of indebtedness, in a single transaction or a series of related transactions, that exceeds five times consolidated EBITDA, as defined in our Third Amended and Restated Credit Agreement, dated November 25, 2013, by and among us, EIG Investors Corp., as borrower, the lenders party thereto, and Credit Suisse AG, as administrative agent, as amended or restated from time to time, which we refer to as the credit agreement, for the preceding 12 months, subject to certain exceptions; and
- any amendment to the definition of consolidated EBITDA in the credit agreement.

For so long as investment funds and entities affiliated with Goldman Sachs have the right to designate one director for election to our Board, the approval of the director designated by investment funds and entities affiliated with Goldman Sachs will be required for amendments to certain agreements with us if such amendments are disproportionately favorable to investment funds and entities affiliated with Warburg Pincus as compared to investment funds and entities affiliated with Goldman Sachs.

Corporate Opportunities

To the fullest extent permitted by law, we have, on behalf of ourselves, our subsidiaries and our and their respective stockholders, renounced any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be presented to Warburg Pincus, Goldman Sachs or any of their respective affiliates, partners, principals, directors, officers, members, managers, employees or other representatives, and no such person has any duty to communicate or offer such business opportunity to us or any of our subsidiaries. Further, no such person shall be liable to us or any of our subsidiaries or any of our or its stockholders for breach of any duty, as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to us or our subsidiaries. This exculpation from liability does not apply in the case of any such person who is a director or officer of ours, where such business opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer of ours.

Indemnification Agreements

Our restated certificate of incorporation provides that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with all of our directors and executive officers. These indemnification agreements require us, among other things, to indemnify each such director and executive officer for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by him or her in any action or proceeding arising out of his or her service as one of our directors or executive officers, as applicable.

Although directors designated for election to our Board by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs may have certain rights to indemnification, advancement of expenses or insurance provided or obtained by investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs, respectively, we have agreed in our stockholders agreement that we will be the indemnitor of first resort, will advance the full amount of expenses incurred by each such director and, to the extent that investment funds and entities affiliated with either Warburg Pincus or Goldman Sachs or their insurers make any payment to, or advance any expenses to, any such director, we will reimburse those investment funds and entities and their insurers for such amounts.

Transactions with Goldman Sachs

Certain affiliates of The Goldman Sachs Group, Inc., including GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P. and related entities, or the Goldman Sachs Funds, beneficially own approximately 10.9 % of our outstanding capital stock, and Mr. DiSabato, one of our directors, is a managing director at Goldman Sachs. See page 48 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. as a premium for this interest rate cap. No further premiums are payable under this interest rate cap.

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). Our wholly owned subsidiary EIG Investors Corp. also issued 10.875% senior notes, or the Notes, in the aggregate principal amount of $350.0 million due 2024. 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. 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 Goldman Sachs & Co. sold their portion of the Notes in 2016.

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.

In November 2016, 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. This registration statement remains effective.

In June 2017, we refinanced our then outstanding term loans, including the Incremental Term Loan Facility, or the 2017 Refinancing. The 2017 Refinancing repaid both our term loan facilities and replaced them with a new $1,697.3 million first lien term loan facility with a maturity date of February 9, 2023. In connection with the 2017 Refinancing, a subsidiary of Goldman Sachs & Co., Goldman Sachs Lending Partners LLC, served in a group of joint bookrunners and joint lead arrangers. In that capacity, we paid Goldman Sachs Lending Partners LLC an arrangement fee of $0.5 million and reimbursements for an immaterial amount of expenses.

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 46 under "*Executive Compensation—Director Compensation*."

Policies and Procedures for Related Person Transactions

Our Board has adopted written policies and procedures for the review of any transaction, arrangement or relationship in which our company is a participant, the amount involved exceeds $120,000, and one of our executive officers, directors, director nominees or 5% stockholders (or their immediate family members), each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our chief legal officer. The policy calls for the proposed related person transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the Audit Committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the Audit Committee to review and, if deemed appropriate, approve proposed related person transactions that arise between Audit Committee meetings, subject to ratification by the Audit Committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the Audit Committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the Audit Committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee may approve or ratify the transaction only if it determines that, under all of the circumstances, the transaction is in or is not inconsistent with our company's best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate.

In addition to the transactions that are excluded by the instructions to the SEC's related person transaction disclosure rule, our Board has determined that transactions that are specifically contemplated by provisions of our restated certificate of incorporation and amended and restated bylaws do not create a material direct or indirect interest on behalf of related persons and, therefore, are not related person transactions for purposes of this policy.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the Compensation Committee in the manner specified in its charter.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors has reviewed the audited financial statements of Endurance International Group Holdings, Inc. (the "Company") for the fiscal year ended December 31, 2017 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. 1301 (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, 2017 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 2017 compensation of our named executive officers, or NEOs, who are listed below:

Name	Title
Current Executives:	
Jeffrey H. Fox	President and Chief Executive Officer (beginning August 22, 2017)
Marc Montagner	Chief Financial Officer; former interim Chief Operating Officer(1)
John Orlando	Chief Marketing Officer
David C. Bryson	Chief Legal Officer
Former Executives:	
Hari Ravichandran	Former Chief Executive Officer (until August 22, 2017)
Kathy Andreasen	Former Chief Administrative Officer and Chief People Officer (until September 1, 2017)

(1) Mr. Montagner, our chief financial officer, also served as interim chief operating officer from May 15, 2017 to February 9, 2018, when we eliminated the interim chief operating officer role as part of our organizational streamlining efforts.

Executive Overview

Business Overview and 2017 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 5.051 million subscribers globally with a range of products and services that help SMBs get online, get found and grow their businesses. All of our products and services fall into one of our three reportable segments, as follows:

- ***Web Presence***. Our web presence segment consists primarily of our web hosting brands, such as Bluehost and HostGator, and related products such as domain names, website security, website design tools and services, and e-commerce products.
- ***Domain***. Our domain segment consists of domain-focused brands such as Domain.com, ResellerClub and LogicBoxes as well as certain web hosting brands that are under common management with our domain-focused brands. This segment sells domain names and domain management services to resellers and end users, as well as premium domain names, and also generates advertising revenue from domain name parking. It also resells domain names and domain management services to our web presence segment.
- ***Email Marketing***. Our email marketing segment consists of Constant Contact email marketing tools and related products and our SinglePlatform digital storefront solution.

Our 2017 financial results reflected a year of transition as we turned our focus to attracting subscribers with higher long-term revenue potential and on improving the product, customer support and user experience for key strategic brands. Changes in revenue, net loss and net cash provided by operating activities are summarized below (in thousands):

	Year Ended December 31, 2016	Year Ended December 31, 2017
Revenue	$1,111,142	$1,176,867
Net loss	$ (81,229)	$ (99,784)
Net cash provided by operating activities	$ 154,961	$ 201,273

- Revenue grew by 6% from 2016 due to higher revenue in our email marketing segment, which was driven primarily by a full year of Constant Contact revenue contribution in 2017 and the purchase accounting impact of the Constant Contact acquisition in 2016, which required the write-down of Constant Contact deferred revenue to fair value as of the acquisition date. This increase in email marketing revenue offset revenue declines in the web presence and domain segments.
- Net loss widened in 2017 as compared to 2016, primarily due to lower income tax benefits and higher goodwill and other long-term asset impairment charges relative to 2016. These factors were partially offset by lower acquisition transaction costs and greater operating profits in our email marketing segment.
- Net cash provided by operating activities grew by 30% over 2016, and was positively impacted by cash flows from the email marketing segment as well as lower acquisition and restructuring related payments relative to 2016.

Our total subscriber base decreased during 2017, due primarily to subscriber attrition in our non-strategic brands, which we are managing to optimize cash flow rather than to acquire new subscribers. These brands had a negative impact on cash billings, changes in deferred revenue, revenue, and subscriber growth in 2017. We expect total subscribers to continue to decrease for the foreseeable future.

In 2018, we plan to make engineering investments across our web presence, email marketing and domain businesses. We expect that these investments will focus primarily on enhancing our product capabilities and user experience. We also intend to invest in simplifying and integrating our operations in order to allow us to operate more effectively and efficiently.

Please see our Annual Report on Form 10-K filed with the SEC on February 22, 2018, particularly "Management's Discussion and Analysis" and "Risk Factors," for further discussion of our 2017 results and the risks affecting our business.

Factors Influencing 2017 Executive Compensation

2017 was also a year of transition in our management team. Our Compensation Committee made its 2017 compensation decisions in a framework that involved several challenges, including the following:

- The departure of our prior chief executive officer Hari Ravichandran, who was also our founder;
- The need to attract an experienced public company chief executive officer to lead the company going forward; and
- The challenges of attracting and retaining executives at a time of uncertainty for the company.

More specifically, in April 2017, we announced that our Board and Mr. Ravichandran had adopted a CEO transition plan, which provided that Mr. Ravichandran would remain chief executive officer and continue to serve as a member of our Board while we conducted a search to identify his successor. Mr. Ravichandran resigned as CEO on August 22, 2017, when Mr. Fox joined us as our president and CEO. Mr. Ravichandran left the company on November 20, 2017 following a brief transition period, as contemplated by the transition and separation agreement (which we refer to as the "transition agreement") that we entered into with him upon the adoption of the CEO transition plan. With the exception of a one-year extension of Mr. Ravichandran's exercise period for vested options, the severance provided under the transition agreement was consistent with what he was entitled to receive under his employment agreement and his 2015 performance-based restricted stock agreement in the event of his termination without cause. Please see "*2017 Executive Compensation—Hari Ravichandran*" starting on page 29 below.

In September 2015, Mr. Ravichandran received a performance-based restricted stock award which provided him the opportunity to earn up to 3,693,754 shares of our common stock based on the company's attainment of an adjusted free cash flow per share measure, as described below on page 29 under "*Hari Ravichandran—Performance-Based Restricted Stock Award*". This award (referred to as the "PRSA") was a multi-year award designed to incentivize growth in free cash flow, and reflected Mr. Ravichandran's contributions as a founder and executive of the company since its inception in 1997. Mr. Ravichandran forfeited 55% of the shares subject to the award in connection with his departure from the company. The PRSA is not indicative of our expected future executive compensation. The Compensation Committee expects that future executive long-term equity incentive compensation will be based on its evaluation of several factors, including the company's performance, the relevant executive's performance, and benchmarking data from then-relevant peer companies.

In addition to Mr. Ravichandran's departure, Ms. Andreasen ceased serving as chief administrative officer and chief people officer on September 1, 2017 and left the company on November 1, 2017.

In August 2017, we hired Jeffrey H. Fox as our president and chief executive officer. The Board selected Mr. Fox due to his extensive experience leading strategy and operations for public companies in the technology, information services and telecom industries, including his track record of successfully simplifying complex organizations. Please see "*2017 Executive Compensation—Jeffrey H. Fox*" starting on page 27 below for information on Mr. Fox's compensation.

Key Features of Executive Compensation Program

Our executive compensation is designed to deliver compensation in accordance with company and individual performance. 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; and
- Reflect each executive's experience, skills, individual performance and career potential.

The key elements, compensation objectives and principles of our overall 2017 executive compensation program, and information on how these relate to company and individual performance, are summarized in the table below.

Compensation Element	Compensation Objectives and Principles	Relation to Performance
Base Salary—*fixed annual cash salary*	• Compensate NEOs for services rendered during the year in the form of fixed cash compensation. • Base salary levels are generally set to reflect each NEO's role and responsibilities, value to us, experience, performance, internal equity and market competitiveness.	• Increases in base salary reflect factors such as economic conditions, business conditions, the Compensation Committee's assessment of company and individual performance over the prior year, and potential of the individual to contribute to our success.
Annual Bonus—*variable cash payment based on company and individual performance*	• Motivate and reward NEOs for achieving specific company performance goals over a one-year period. • Payment is not guaranteed and payout levels vary according to company and individual performance.	• Company performance determines the extent to which the annual bonus will be funded (if at all), although the Compensation Committee can exercise discretion to fund the annual bonus in whole or in part even if targets are not achieved. • Annual bonuses 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. • Reward NEOs for long-term growth. • Attract, retain, motivate and reward NEOs.	• Restricted stock units (sometimes referred to as RSUs) provide retention incentives and align NEO interests with those of stockholders. • Stock options can motivate executives to take actions which could increase our stock price.

Executive Compensation Best Practices

Our executive compensation program features a number of best practices that are designed to focus our NEOs on our long-term performance and to align their interests with those of our stockholders generally:

- None of our NEOs have guaranteed base salary increases or bonuses.
- We do not provide our NEOs with any defined benefit pension or supplemental pension benefits.
- None of our NEOs have "golden parachute" excise tax gross-up arrangements.
- We use an independent compensation consultant and benchmark our compensation practices against a peer group of similar companies within a reasonable size range of us.
- Equity awards granted to our NEOs generally have "double-trigger" vesting and will be accelerated only in the event we undergo a change in control and the executive's employment is terminated without cause by us, or, if applicable, for good reason by the executive, in connection with the change in

control or, for Mr. Fox, if the acquiring corporation in a change in control does not agree to assume Mr. Fox's outstanding equity awards.

- We believe our compensation program does not encourage excessive risk taking.
- Our stock incentive plans do not permit repricing or exchange of underwater stock options without stockholder approval.
- We prohibit hedging of our stock by employees, officers and directors.
- We prohibit pledging of our stock by employees officers and directors
- We hold an 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 our chief executive officer and our other executive officers after taking into account such factors as our financial and operational performance, the chief executive officer's recommendations with respect to the compensation of his direct reports, the input of our human resources leadership, 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 our chief executive officer for other executive officers.

The Compensation Committee has the ability to delegate certain of its responsibilities to subcommittees. The Compensation Committee may also delegate to executive officers the ability to approve grants under our stock incentive plans to employees who are not executive officers or directors.

Our Compensation Committee has engaged Exequity, LLP, or Exequity, an independent compensation consulting firm, to advise it on executive compensation, equity plan design and related corporate governance matters. In 2017, Exequity advised our Compensation Committee with respect to Mr. Fox's compensation, the composition of our executive compensation peer group, evaluating and benchmarking our executive compensation programs in relation to peer group 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 2017

The Compensation Committee evaluates our executive compensation program based on our business and talent development strategies, the Committee members' business judgment and a group of peer companies. For 2017, this group consisted of the following 18 companies that were in similar or complementary industries, had comparable market capitalizations and revenue, and/or were competitors for key executive talent:

Bankrate Inc.	SS&C Technologies Holdings, Inc.
Cimpress N.V.	The Ultimate Software Group, Inc.
CoStar Group, Inc.	TripAdvisor, Inc.
EarthLink Holdings Corp.	Verint Systems Inc.
GoDaddy Inc.	VeriSign, Inc.
GrubHub Inc.	Web.com Group, Inc.
J2 Global, Inc.	WebMD Health Corp.
NetSuite Inc.	Wix.com Ltd.
Rackspace Hosting, Inc.	Yelp, Inc.

The Compensation Committee reviewed compensation data from this peer group as a reference to provide context for setting 2017 target pay opportunities for our executive officers.

The Compensation Committee also reviewed data from the 2016 Radford Global Technology Survey from companies with $500 million to $1 billion in revenue and companies with $1 billion to $3 billion in revenue for the same purpose.

We do not target a specific, relative percentile positioning for total direct compensation, or the elements of total direct compensation, for NEO pay levels. Instead, we review total 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 (which was 175% of target for the 2017 MIP) and payouts are subject to adjustment based on the Compensation Committee's discretion. We believe both of these features act as disincentives to excessive risk taking.
- Long-term compensation opportunities consist of equity-based awards such as restricted stock, restricted stock units and options that typically vest over two to four years. We believe that this encourages our executives to make decisions that are in the best long-term interests of our company as a whole because the ultimate value of these awards is realized over time and dependent upon company performance.

2017 "Say-On-Pay" Vote

More than 99% of the votes cast at our 2017 Annual Meeting of Stockholders held on April 26, 2017 voted to approve the compensation of our NEOs. The Compensation Committee considered these results when making decisions on 2017 executive compensation; however, other factors, particularly our management transitions described on page 23 under "*Factors Influencing 2017 Executive Compensation*," had a greater impact on our executive compensation program during 2017.

2017 Executive Compensation

This section describes the key components of 2017 compensation of Mr. Fox, Mr. Ravichandran and our other NEOs.

Jeffrey H. Fox

2017 Base Salary and Bonus

Mr. Fox's base salary was $750,000 during 2017. Since Mr. Fox joined us on August 22, 2017, he was not eligible to earn an annual cash bonus under our 2017 MIP, but is eligible to participate in our annual MIP for 2018 and thereafter with a target bonus percentage of 100% of base salary paid for the applicable year.

2017 Long-Term Equity Incentives

In connection with Mr. Fox joining the company, our Compensation Committee and Board granted him an equity award under our Amended and Restated 2013 Stock Incentive Plan with a total value of $10,375,000 as of August 11, 2017. This award, or the "Initial Equity Award," was split between an award of 1,032,500 restricted stock units (referred to as the "RSU Award") and an option to purchase 612,419 shares of our common stock (referred to as the "Stock Option Grant"). Two Hundred Eighty-Two Thousand Five Hundred (282,500) of the restricted stock units subject to the RSU Award vested immediately upon Mr. Fox's hire date, but are subject to a requirement that Mr. Fox hold the shares underlying such restricted stock units until August 22, 2020, his death or disability (as defined in his employment agreement), or a change in control of the company (as defined in his employment agreement). The remaining 750,000 restricted stock units subject to the RSU Award vest over a three-year period, with 250,000 of such restricted stock units vesting annually on August 22, the anniversary of his hire date. The Stock Option Grant vests over a three-year period, with one-third of the total number of shares subject to the Stock Option Grant vesting on August 22, 2018 and the remainder vesting in equal monthly installments thereafter.

The Compensation Committee designed the Initial Equity Award in part as an inducement for Mr. Fox, an experienced public company chief executive officer, to join the company during a time of significant strategic and operational transition. Our Board considered Mr. Fox's professional background particularly well suited to our needs, specifically his extensive operational and relevant industry experience and his track record of successfully simplifying complex corporate operations. See "*Management and Corporate Governance—Board of Directors*" for additional information about Mr. Fox's background. In addition, due to its mid-year 2017 timing, the Initial Equity Award was intended to cover a period of 18 months.

Perquisites

In addition to the benefits that we provide to all employees generally (which are further discussed on page 34 under "*Other NEOs—Benefits and Perquisites*"), we reimburse Mr. Fox for a portion of his expenses for use of his private aircraft to travel between his home in Arkansas and our headquarters in Massachusetts. Mr. Fox is a long-time resident of Little Rock, Arkansas, and performs his duties for the company from various locations, including his home in Little Rock, our corporate headquarters in Burlington, and our other corporate locations. We believe Mr. Fox's travel by private aircraft benefits the company by allowing Mr. Fox to use his time efficiently and conduct company business confidentially during flights. In 2017, we reimbursed Mr. Fox for approximately $248,000 in private aircraft expenses for travel between Arkansas and our Massachusetts headquarters. In 2018, the Compensation Committee and Mr. Fox agreed that reimbursements for flights between Arkansas and Massachusetts will be limited to $225,000 per year. Mr. Fox does not receive any gross-up payments for personal taxes he incurs on these reimbursements.

2018 Developments

On February 9, 2018, our Compensation Committee and Board increased Mr. Fox's base salary from $750,000 to $800,000 and approved an award of 137,931 restricted stock units to Mr. Fox. The restricted stock units will vest over three years, with one-third vesting each year on the anniversary of the grant date. In approving this base salary increase and RSU award, our Compensation Committee and Board took into account Mr. Fox's progress in driving operational improvements and his agreement to limit to $225,000 the annual amount of reimbursable expenses relating to travel between his residence in Arkansas and our headquarters in Massachusetts, as discussed above under "*Perquisites*."

Hari Ravichandran

Base Salary and Bonus

Mr. Ravichandran's base salary was $200,000 during 2017. He was not eligible for a bonus in 2017, consistent with an amendment to his employment agreement effective October 1, 2015. Mr. Ravichandran left the company on November 20, 2017.

Performance-Based Restricted Stock Award

In September 2015, our Compensation Committee and Board approved the grant of a performance-based restricted stock award, or PRSA, to Mr. Ravichandran. The PRSA provided 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. Mr. Ravichandran earned 1,661,439 Award Shares, or 45% of the total possible Award Shares, for the period beginning on July 1, 2015 and ending on December 31, 2017, the last date of the quarter in which his employment terminated, and forfeited the remaining 2,032,315 Award Shares.

Under the PRSA, Mr. Ravichandran could earn Award Shares during each calendar quarter during the Performance Period (each, a "Performance Quarter") if the company achieved a pre-established threshold, target or maximum level of free cash flow per share for the Performance Quarter. Free cash flow per share was 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[1], 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. The threshold, target and maximum levels of free cash flow per share were designed to be reasonably attainable, difficult but attainable, and challenging, respectively. The award structure was specifically designed to incentivize performance in excess of the target level by accelerating the number of Award Shares Mr. Ravichandran would have received for results above target.

If our free cash flow per share was less than the threshold level for a Performance Quarter, no Award Shares would be earned during that Performance Quarter, otherwise approximately 139,915 shares, 195,881 shares or 307,812 shares would 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 could 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 was less than the threshold level for a Performance Year, no Award Shares would be earned during that Performance Year, otherwise approximately 559,660 shares, 783,524 shares or 1,231,251 shares would 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 counted towards the Award Shares that could be earned due to meeting an annual performance goal for that Performance Year.

Mr. Ravichandran's last day of employment was November 20, 2017. His departure was treated as a termination without cause under his PRSA agreement, and accordingly Mr. Ravichandran was entitled to receive any Award Shares he earned for previous Performance Quarters, together with the number of Award Shares that he earned for the Performance Quarter in which his employment ended (but no less than the target number of

1 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 2017.

Award Shares for such Performance Quarter). Because the company's free cash flow per share exceeded the maximum level for the Performance Quarter ended December 31, 2017, Mr. Ravichandran earned 307,812 Award Shares for that Performance Quarter.

The following table summarizes Award Shares that were earned by Mr. Ravichandran under the PRSA:

	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
Performance Quarter ended March 31, 2017	$0.31	$0.34	$0.37	$0.19	—
Performance Quarter ended June 30, 2017	$0.31	$0.35	$0.38	$0.32	154,146
Performance Year ended June 30, 2017	$1.24	$1.37	$1.47	$1.10	—
Performance Quarter ended September 30, 2017	$0.32	$0.39	$0.41	$0.27	—
Performance Quarter ended December 31, 2017	$0.32	$0.39	$0.41	$0.47	307,812
TOTAL					**1,661,439**

(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 2017.

(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).

Other 2017 Compensation

In addition to his base salary, Mr. Ravichandran received approximately $51,000 in severance payments for 2017, as further described on page 43 under "*Employment and Compensation Arrangements with Named Executive Officers—Hari Ravichandran*." Mr. Ravichandran did not receive any perquisites or benefits during 2017, other than the benefits that we provide to all employees generally and umbrella liability insurance coverage that we provide to our executives (both of which are further discussed on page 34 under "*Other NEOs—Benefits and Perquisites*").

Other NEOs

Base Salary

During 2017, the base salaries for Messrs. Montagner, Orlando and Bryson were increased as shown in the table below. The increase for Mr. Montagner primarily reflected expanded duties and responsibilities, and the increases for Messrs. Orlando and Bryson were primarily adjustments to align with internal peers and peer group benchmarking data for target cash compensation for similar positions. Ms. Andreasen's base salary remained unchanged from 2016.

The chart below shows the 2016 and 2017 base salaries as of the end of each year for our NEOs other than Messrs. Fox and Ravichandran:

Name	2016 Base Salary ($)	2017 Base Salary ($)(1)	Change ($/%)
Current Executives:			
Marc Montagner	475,000	500,000	5.3%
John Orlando	300,000	376,200	25.4%
David C. Bryson	325,000	350,000	7.7%
Former Executive:			
Kathy Andreasen	350,000	350,000	—

(1) 2017 base salary increases were effective April 1, 2017, with the exception of an additional $1,200 increase later in the year for Mr. Orlando that was intended to compensate for the discontinuation of Constant Contact's previous cell phone reimbursement policy.

2017 Management Incentive Plan (MIP)

Our annual bonuses are granted under the MIP, a non-equity incentive plan which is designed to reward our NEOs for our achievement of designated performance targets for a fiscal year. Mr. Ravichandran did not participate in the 2017 MIP. Mr. Fox was not eligible to participate in the 2017 MIP, but will participate in future MIPs, beginning with 2018.

For 2017, the MIP had two pre-established targets: a GAAP revenue target weighted at 50% and an adjusted EBITDA target weighted at 50%. These targets were defined in the 2017 MIP as follows:

- **GAAP revenue** was defined as revenue recognized for 2017 in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as reported in the company's publicly filed financial statements.
- **Adjusted EBITDA** was defined as net (loss) income for 2017, 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.

Adjusted EBITDA for the purposes of the 2017 MIP also excluded an $8 million reserve for two SEC investigations that we accrued and began to exclude from our adjusted EBITDA metric in the fourth quarter of 2017. This reserve relates to our ongoing discussions with the Boston Regional Office of the SEC regarding a potential resolution of its investigations of Endurance and our subsidiary Constant Contact, which is further discussed in our Annual Report on Form 10-K filed with the SEC on February 22, 2018.

The 2017 MIP provided that the company's percentage achievement of the target for each of the GAAP revenue and adjusted EBITDA metrics would be evaluated separately, and the payout percentage under each metric would be weighted and added to the weighted payout percentage for the other metric to determine the level of bonus pool funding. The company was required to reach a minimum of 88% achievement of each metric target before that metric would contribute to the bonus pool funding, at which point the payout for that metric would be as follows:

Percentage Achievement of Target	Payout Percentage (Unweighted)
88%	50%
92%	75%
96%	90%
100%	100%
103%	150%
106%	175%

Metric target payouts would be determined using linear interpolation between the stated percentages. If the percentage achievement of the target for a metric were equal to or greater than 106%, the maximum payout percentage for that metric would be 175%.

If the bonus pool was funded, individual bonuses would be calculated based upon the combined payout percentage and each individual's eligible earnings, target bonus percentage, and individual performance.

The 2017 MIP provided that all payments and bonus pool funding were at the discretion of the Board or the Compensation Committee, and that the Board or the Compensation Committee could make adjustments to achievement of performance metrics and payout levels under the 2017 MIP to address the impact of any mergers, acquisitions or other unexpected activities, developments, trends or events. In addition, achievement of the performance metrics could include or exclude any of the following events that occur during the performance year: any reorganization or restructuring transactions; extraordinary nonrecurring items; and significant acquisitions or divestitures.

The 2017 targets, actual achievement, percentage achievement of target and payout percentages for each of GAAP revenue and adjusted EBITDA were as follows:

Metric	Target	Actual Achievement	Percentage Achievement of Target	Payout Percentage		
				Unweighted	Weighted	Combined
GAAP revenue	$ 1.200 billion	$ 1.177 billion	98.1%	95.2%	47.6%	
Adjusted EBITDA(1)	$351.0 million	$350.8 million	99.9%	99.9%	49.9%	**97.5**%

(1) Adjusted EBITDA is a non-GAAP financial measure. Please see *Appendix A* for a reconciliation of 2017 adjusted EBITDA to net loss, its nearest comparable GAAP financial measure.

Our actual achievement as a percentage of the target for each of the GAAP revenue and adjusted EBITDA metrics was evaluated separately and mapped to a payout percentage, using linear interpolation as described above. Each resulting payout factor (shown in the "Payout Percentage—Unweighted" column in the table directly above) was then given a weight of 0.5, and added to the weighted payout percentage for other metric to arrive at a combined company payout factor of 97.5%.

The company payout factor of 97.5% resulted in 97.5% funding of the bonus pool, such that bonuses for the NEOs who participated in the 2017 MIP and were employed by us at the time the MIP determinations were made by our Compensation Committee in February 2018 (which consisted of Messrs. Montagner, Orlando and Bryson) were calculated by multiplying each person's eligible earnings by his target bonus percentage and 97.5%. The output of this calculation for each participating NEO was then reviewed by the Compensation Committee for increase or decrease based upon its subjective assessment of each individual's performance, including input and recommendations from Mr. Fox. The Committee then applied an individual performance multiplier, which could be less than, equal to or greater than 100%, to adjust the bonuses based on individual performance. The

Committee selected a 100% performance multiplier for all participating NEOs for 2017, reflecting its assessment that our 2017 results reflected strong efforts by each of these individuals.

The following table provides further detail about the 2017 annual bonus as calculated under the MIP for each participating NEO:

Name	2017 MIP Bonus Eligible Earnings ($)	Target Percent of Eligible Earnings	2017 Bonus Pool Funding	Individual Performance Multiplier	Actual 2017 MIP Annual Bonus Earned ($)
Marc Montagner	493,269	75%/100%(1)	97.5%	100%	421,641
John Orlando	355,269	40%/75%(1)	97.5%	100%	202,697
David C. Bryson	343,269	60%	97.5%	100%	200,813

(1) Calculations prorated to reflect the impact of an increase to target bonus percentage effective July 1, 2017.

During 2017, the target bonus percentages for Messrs. Montagner and Orlando were increased effective July 1, 2017, from 75% to 100% of annual eligible earnings for Mr. Montagner and from 40% to 75% of annual eligible earnings for Mr. Orlando. Annual eligible earnings under the MIP are calculated as actual base salary paid for the year, and therefore reflect changes in base salary during the year. The target bonus percentage increase for Mr. Montagner primarily reflected expanded duties and responsibilities, and the increase for Mr. Orlando was primarily an adjustment to align with internal peers and peer group benchmarking data for similar positions. Mr. Bryson's target bonus percentage remained at 60%.

Discretionary Bonuses

In May 2017, the Compensation Committee approved discretionary bonuses to Messrs. Montagner and Bryson in the amounts of $200,000 and $70,000, respectively, in recognition of their significant efforts with respect to the SEC investigations of Endurance and Constant Contact.

2017 Long-Term Equity Incentives

In May 2017, for NEOs other than Messrs. Fox and Ravichandran, we granted annual long-term incentives in the form of restricted stock units. Our Compensation Committee chose to use RSUs (rather than a split between RSUs or restricted stock awards and stock options as we had done in past years) in order to promote retention during the management transition period beginning with our announcement of the CEO transition plan, as well as to reduce the impact of our annual grants on the number of shares subject to outstanding awards.

The following table shows the RSU awards granted to our NEOs in 2017. The number of shares subject to these RSUs was determined by dividing the "2017 LTI Value" shown below by the closing price of a share of our common stock on the grant date of the relevant award.

Name	2017 LTI Value ($)	Shares Underlying 2017 RSUs (#)
Current Executives:		
Marc Montagner	2,500,000	318,471
John Orlando	1,650,000	210,191
David C. Bryson	750,000	95,541
Former Executive:		
Kathy Andreasen	650,000	82,803

RSUs granted to Messrs. Orlando and Bryson and Ms. Andreasen vest over three years, with one-third vesting on each anniversary of the grant date.

RSUs granted to Mr. Montagner vest over two years, with one-half vesting on each anniversary of the grant date. The Compensation Committee approved a two-year vesting schedule for Mr. Montagner's grant in light of the additional management responsibilities he took on following the adoption of the CEO transition plan discussed above, including his assumption of the role of interim chief operating officer following the departure of our prior COO.

Upon Ms. Andreasen's departure from the company on November 1, 2017, the vesting of 27,336 of the RSUs shown in the table above was accelerated in recognition of her contributions to the company during her tenure, which began in 2012.

Benefits and Perquisites

For 2017, we provided our NEOs with the same benefits that are provided to all employees generally, including medical, dental and vision benefits, group term life and long-term disability insurance and participation in our 401(k) plan. We also provided our NEOs with umbrella liability insurance coverage, at our expense. In addition, we reimbursed Mr. Fox for certain private airplane expenses, as described more fully on page 28 under "*Jeffrey H. Fox—Perquisites*."

Other 2017 Compensation

Ms. Andreasen also received approximately $86,000 in severance payments for 2017, as further described on page 43 under "*Employment and Compensation Arrangements with Named Executive Officers—Kathy Andreasen*."

2018 Developments

On February 9, 2018, our Compensation Committee and Board approved an award of 75,000 restricted stock units to Mr. Montagner in recognition of his contribution to the company in the role of interim chief operating officer during the CEO transition process discussed above. These restricted stock units will vest over three years, with one-third vesting each year on the anniversary of the grant date.

Severance and Change in Control Benefits

We believe that severance protections can play a valuable role in attracting and retaining key executive officers. In addition, severance protections in a change in control context help ensure leadership continuity and continued commitment during a time of transition, including a sustained focus on the best interests of stockholders and our company. Accordingly, we provide severance and change in control protection to our NEOs pursuant to their respective employment agreements and equity award agreements.

For detailed information about severance and change in control arrangements for our NEOs, see "*Employment and Compensation Arrangements with Named Executive Officers*" and "*Potential Payments upon Termination or Change in Control*" below.

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). Pursuant to tax legislation signed into law on December 22, 2017 (the "Tax Act"), for taxable years beginning after December 31, 2017, the Section 162(m) deduction limitation is expanded so that it also applies to compensation in excess of $1 million paid to a public company's chief financial officer. Historically, compensation that qualified under Section 162(m) as performance-based compensation was exempt from the deduction limitation. However, subject to certain transition rules, the Tax Act eliminated the qualified performance-based compensation exception. As a result, for taxable years beginning after December 31, 2017, all compensation in excess of $1 million paid to each of the executives described above (other than certain grandfathered compensation or compensation paid pursuant to certain equity awards granted during the transition period following our IPO) will not be deductible by us.

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 during the years indicated.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Jeffrey H. Fox(4)	2017	256,731	—	8,001,875	2,408,338	—	284,056(5)	10,951,000
President and Chief Executive Officer (Principal Executive Officer)								
Marc Montagner	2017	493,269	200,000	2,499,997	—	421,641	11,783(7)	3,626,690
Chief Financial Officer	2016	468,269	410,722	3,125,002	1,874,995	—	11,514	5,890,502
(Principal Financial Officer)(6)	2015	128,077	200,000	1,249,993	2,024,288	93,656	259,994	3,956,008
John Orlando(8)	2017	355,269	—	1,649,999	—	202,697	12,533(7)	2,220,498
Chief Marketing Officer								
David C. Bryson	2017	343,269	70,000	749,997	—	200,813	11,783(7)	1,375,862
Chief Legal Officer	2016	318,269	105,231	500,011	749,983	—	11,514	1,685,008
	2015	300,000	—	374,998	612,797	131,625	11,334	1,430,754
Hari Ravichandran	2017	181,538	—	—	—	—	62,518(9)	244,056
Former Chief Executive	2016	200,000	—	—	—	—	11,514	211,514
Officer (Former Principal Executive Officer)	2015	618,846	—	35,365,478	—	—	11,334	35,995,658
Kathy Andreasen	2017	300,192	—	1,344,724(10)	—	—	97,937(11)	1,742,853
Former Chief	2016	350,000	115,501	1,875,012	937,489	—	11,514	3,289,516
Administrative Officer and Chief People Officer	2015	343,269	—	500,003	817,062	150,938	11,334	1,822,606

(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, 2017.

(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, 2017.
(3) Amounts in this column represent non-equity incentive plan compensation earned for the years shown based upon company and individual performance. See page 31 under "*2017 Management Incentive Plan (MIP)*" above.
(4) Mr. Fox joined us as president and chief executive officer on August 22, 2017.
(5) Amount consists of reimbursements for private aircraft expense in the amount of $248,256, as described above on page 28 under "*Jeffrey H. Fox—Perquisites*," legal fees paid on Mr. Fox's behalf in connection with the negotiation of his employment agreement in the amount of $25,000, and matching contributions to our 401(k) retirement plan made by us on Mr. Fox's behalf in the amount of $10,800.
(6) Mr. Montagner also served as interim chief operating officer from May 15, 2017 to February 9, 2018, when we eliminated the interim chief operating officer role as part of our organizational streamlining efforts.
(7) Amount consists of matching contributions to our 401(k) retirement plan made by us on the NEO's behalf in the amount of $10,800 and premiums paid for an umbrella liability insurance policy and an associated $23 tax gross-up. For Mr. Orlando, amount also includes cellphone reimbursement.
(8) Mr. Orlando was determined to be an NEO for purposes of this proxy statement but was not determined to be an NEO for 2016. Therefore, the Summary Compensation Table only includes compensation information for Mr. Orlando for 2017.
(9) Amount consists of severance payments in the amount of $50,735, matching contributions to our 401(k) retirement plan made by us on Mr. Ravichandran's behalf in the amount of $10,800, and premiums paid for an umbrella liability insurance policy and an associated $23 tax gross-up.
(10) Ms. Andreasen was awarded 82,803 restricted stock units in May 2017, of which 55,467 unvested restricted stock units were forfeited upon her departure from the company in November 2017. On June 26, 2017, the Compensation Committee modified a portion of Ms. Andreasen's unvested restricted stock awards and restricted stock units, which would have otherwise been forfeited upon her departure, to accelerate vesting to November 1, 2017. The total amount represents the grant date fair value of the May 2017 restricted stock unit award ($650,004), as well as the aggregate incremental fair value of the modified awards, computed as of the date of modification in accordance with the provisions of FASB ASC 718 ($694,720).
(11) Amount consists of severance payments in the amount of $86,154, matching contributions to our 401(k) retirement plan made by us on Ms. Andreasen's behalf in the amount of $10,800, and premiums paid for an umbrella liability insurance policy and an associated $23 tax gross-up.

2017 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, 2017.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)(2)
Jeffrey H. Fox	— (3)							
	8/22/17				1,032,500(4)			8,001,875
	8/22/17					612,419(5)	7.75	2,408,338
Marc Montagner	—	216,226	432,452	756,791				
	5/12/17				318,471(6)			2,499,997
John Orlando	—	103,947	207,894	363,815				
	5/12/17				210,191(7)			1,649,999
David C. Bryson	—	102,981	205,962	360,434				
	5/12/17				95,541(7)			749,997
Hari Ravichandran	— (8)							
Kathy Andreasen	— (9)	105,000	210,000	367,500				
	5/12/17				82,803			650,004
	11/1/17(10)				83,200(11)			694,720(11)

(1) The 2017 MIP was approved by the Compensation Committee in May 2017. These columns show the potential bonus payments for each NEO under the 2017 MIP as if the financial targets established for 2017 had been achieved at the threshold, target or maximum levels. The bonus payments under the 2017 MIP could range from zero if the threshold level of financial performance was not achieved, to a maximum of 175% of the target. The actual payments made to our NEOs under the 2017 MIP are shown in the Summary Compensation Table in the column titled "Non-Equity Incentive Plan Compensation." For a description of the financial targets under the 2017 MIP, see page 31 under "*2017 Management Incentive Plan (MIP)*" above.

(2) 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, 2017.

(3) Pursuant to Mr. Fox's employment agreement, Mr. Fox was not eligible to participate in the 2017 MIP. See page 27 under "*2017 Executive Compensation—Jeffrey H. Fox*" above.

(4) Represents a restricted stock unit award of which 282,500 shares vested on the grant date, with the remaining 750,000 shares vesting as to one-third annually on each anniversary of the grant date.

(5) Represents a stock option that vests over a three-year period beginning on the grant date, with one-third of the shares vesting on the first anniversary of the grant date and the remainder vesting in equal monthly installments thereafter.

(6) Represents a restricted stock unit award that vests annually over a two year period beginning on April 15, 2017, the vesting start date, with one half of the shares vesting on each anniversary of the vesting start date.

(7) Represents restricted stock unit awards that vest annually over a three year period beginning on April 15, 2017, the vesting start date, with one-third of the shares vesting on each anniversary of the vesting start date.

(8) Pursuant to Mr. Ravichandran's employment agreement, Mr. Ravichandran was not eligible for an annual bonus for 2017. See page 29 under "*2017 Executive Compensation—Hari Ravichandran*" above.

(9) The threshold, target and maximum amounts included in the table for Ms. Andreasen represent the amounts she would have been entitled to had she remained an executive officer through 2017. Due to Ms. Andreasen's departure from the company during the year, she was not eligible for a payout under the 2017 MIP.

(10) Date shown is the date of Ms. Andreasen's departure from the company. The equity acceleration described in footnote (11) was approved by the Compensation Committee on June 26, 2017.

(11) As described in the Summary Compensation Table, a portion of Ms. Andreasen's equity awards was modified to accelerate vesting to November 1, 2017, the date of her departure from the company. The amount in the Grant Date Fair Value of Stock and Option Awards column represents the aggregate incremental fair value of the modified awards, computed as of the date of modification 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, 2017.

Outstanding Equity Awards at 2017 Fiscal Year-End

The following table sets forth information regarding outstanding stock awards held as of December 31, 2017 by our NEOs.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Jeffrey H. Fox	—	612,419(2)	7.75	8/22/2027		
					750,000(3)	6,300,000
Marc Montagner	142,324	110,712(4)	14.82	9/15/25		
	140,763	197,074(4)	11.10	4/28/26		
					42,173(5)	354,253
					84,460(5)	709,464
					318,471(6)	2,675,156
John Orlando	6,570	9,196(4)	11.10	4/28/23		
	7,666	13,978(4)	9.24	7/26/23		
					1,112(7)	9,341
					3,250(8)	27,300
					5,912(5)	49,661
					21,668(6)	182,011
					8,117(5)	68,183
					210,191(9)	1,765,604
David C. Bryson	147,826	—	12.00	10/25/23		
	40,875	20,466(4)	18.34	4/30/25		
	56,303	78,829(4)	11.10	4/28/26		
					10,225(5)	85,890
					33,785(5)	283,794
					95,541(9)	802,544
Hari Ravichandran	2,728,188	—	12.00	10/25/23(10)		
					111,931(11)	940,220
Kathy Andreasen	147,826	—	12.00	10/25/23(12)		
	52,804	—	18.34	4/30/25(12)		
	66,862	—	11.10	4/28/26(12)		

(1) Represents the fair market value of shares that were unvested as of December 31, 2017, based on the closing market price of $8.40 on December 29, 2017.

(2) These stock options vest over a three-year period beginning on August 22, 2017, with one-third of the shares vesting on August 22, 2018 and the remainder vesting in equal monthly installments through August 22, 2020.

(3) These RSUs vest over a three-year period beginning on August 22, 2017, with one-third of the shares vesting on each anniversary of that date through August 22, 2020. Figure shown excludes 282,500 shares that vested immediately upon grant.

(4) Represents the unvested portion of the following option grants, which vest over a four-year period, with 25% of the shares vesting on the first anniversary of the vesting start date and the remainder vesting in equal monthly installments:

Grant Date	Vesting Start Date	Marc Montagner	John Orlando	David C. Bryson
September 15, 2015	September 15, 2015	253,036	—	—
April 30, 2015	April 1, 2015	—	—	61,341
April 28, 2016	April 1, 2016	337,837	15,766	135,132
July 26, 2016	July 15, 2016	—	21,644	—

(5) Represents the unvested portion of the following restricted stock awards or RSUs, as applicable, which vest annually over a four-year period, with 25% of the shares vesting on each anniversary of the vesting start date:

Grant Date	Vesting Start Date	Marc Montagner	John Orlando	David C. Bryson
September 15, 2015	September 15, 2015	84,345	—	—
April 30, 2015	April 1, 2015	—	—	20,447
April 28, 2016	April 1, 2016	112,613	7,883	45,046
July 26, 2016	July 15, 2016	—	10,823	—

(6) Represents the unvested portion of the following RSUs, which vest over a two-year period, with one half of the shares vesting on each anniversary of the vesting start date:

Grant Date	Vesting Start Date	Marc Montagner	John Orlando
May 26, 2016	May 1, 2016	—	43,337
May 12, 2017	April 15, 2017	318,471	—

(7) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest in two quarterly installments through April 1, 2018.

(8) Represents an RSU award assumed by us in connection with our acquisition of Constant Contact. The RSUs vest in three semi-annual installments through April 1, 2019.

(9) Represents the unvested portion of the following RSUs, which vest annually over a three-year period, with one-third of the shares vesting on each anniversary of the vesting start date:

Grant Date	Vesting Start Date	John Orlando	David C. Bryson
May 12, 2017	April 15, 2017	210,191	95,541

(10) The right to exercise this option will terminate on November 20, 2019, two years after the date of Mr. Ravichandran's departure from the company.

(11) Represents the number of shares underlying Mr. Ravichandran's PRSA that were earned but unvested as of December 31, 2017. These shares vested on February 13, 2018, the date the company's management determined the extent to which the performance targets were achieved for the quarterly period ended December 31, 2017. For a description of the PRSA, see page 29 above under "*2017 Executive Compensation—Hari Ravichandran—Performance-Based Restricted Stock Award*."

(12) The right to exercise this option terminated on January 30, 2018, ninety days after the date of Ms. Andreasen's departure from the company.

2017 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, 2017.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
Jeffrey H. Fox	—	—	282,500	2,189,375
Marc Montagner	—	—	272,453	2,132,430
John Orlando	7,499	17,548	32,234	252,739
David C. Bryson	—	—	22,896	182,017
Hari Ravichandran	—	—	1,649,846(4)	15,232,193
Kathy Andreasen	—	—	259,425(5)	2,080,370

(1) Value realized on exercise calculated based on the difference between the closing price of our common stock on the date of exercise and the option exercise price, multiplied by the number of shares exercised.

(2) The number of shares acquired on vesting of stock awards reflects the gross number of shares vested, including shares that were sold to cover the payment of withholding taxes pursuant to the terms of our Amended and Restated 2013 Stock Incentive Plan or Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan, as applicable.

(3) Value determined by multiplying the number of vested shares by the closing market price of our common stock on the vesting date.

(4) Amount includes vested RSUs representing 100,338 shares of common stock that will not be delivered to Mr. Ravichandran until May 21, 2018.

(5) As described in the Summary Compensation Table, a portion of Ms. Andreasen's unvested restricted stock awards and RSUs was modified to accelerate vesting to November 1, 2017, the date of her departure from the company. Amount includes 83,200 shares acquired as a result of such accelerated vesting.

Employment and Compensation Arrangements with Named Executive Officers

Jeffrey H. Fox

Employment Agreement

We are party to an employment agreement with Mr. Fox dated August 11, 2017. Mr. Fox's employment commenced on August 22, 2017; his employment is at-will and may be terminated by either us or Mr. Fox for any reason, at any time. The material terms of Mr. Fox's employment agreement are summarized below.

Base Salary and Bonuses; Airplane Usage

Mr. Fox's base salary was $750,000 during 2017 and was increased to $800,000 effective February 2018, and he is eligible to earn an annual bonus starting in 2018 in accordance with the MIP, with a target opportunity of 100% of his base salary. Pursuant to his employment agreement, Mr. Fox is also entitled to reimbursement for expenses for use of his private aircraft for company business purposes at a rate of $4,125 per hour. In 2018, the Compensation Committee and Mr. Fox agreed that reimbursements for flights between his home in Arkansas and our headquarters in Massachusetts will be limited to $225,000 per year. Mr. Fox does not receive any gross-up payments for personal taxes he incurs on reimbursement for these flights. Please see page 28 for additional discussion of Mr. Fox's compensation, including aircraft reimbursements.

Payments upon Termination of Employment

In the event Mr. Fox is terminated without cause or he resigns his employment for good reason (as such terms are defined in his employment agreement), he will be entitled to the following severance payments:

- continued payment of his base salary for a period of 24 months;
- payment of two times his annual bonus at target for the year prior to the year of termination payable over a period of 24 months, or if the termination occurs within nine months prior to a change in control (provided that negotiations related to the change in control are ongoing on the termination date) or within two years after a change in control, payment of two times' the greater of (x) his annual bonus paid with respect to the year prior to the year of termination or (y) his annual bonus at target for the year of termination;
- a lump sum payment equal to $40,000; and
- payment of his annual bonus for the year of termination based on the company's actual performance against the performance goals established under the MIP for such year, prorated based on the portion of the year during which Mr. Fox provided services to the company.

In order to receive these severance payments, Mr. Fox must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including two year non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

If Mr. Fox's employment is terminated due to death or disability, he (or his estate or beneficiaries) will be entitled, subject to specified restrictive covenants, to payment of his annual bonus for the year of termination based on the company's actual performance against the performance goals established under the MIP for such year, prorated based on the portion of the year during which Mr. Fox provided services to the company. In addition, to the extent Mr. Fox holds any vested stock options upon such a termination, the vested options will remain exercisable for a period of three years (or the remainder of the option term, if shorter) following the termination date.

Equity Acceleration upon a Change in Control

Pursuant to Mr. Fox's employment agreement and the award agreements governing his equity awards, in the event that, within nine months prior to a change in control (provided that negotiations related to the change in control are ongoing on the termination date) or within two years after a change in control, Mr. Fox is terminated without cause (other than due to disability or death) or he resigns his employment for good reason, he will be entitled to full acceleration of all unvested equity awards he holds as of his termination date, on the later to occur of the completion of the change in control and his termination date. Furthermore, in the event the acquiring or succeeding corporation in a change in control does not agree to assume Mr. Fox's outstanding equity awards as of immediately prior to the change in control, or to substitute substantially equivalent awards for the outstanding equity awards, then all of Mr. Fox's then outstanding but unvested equity awards will vest in full immediately prior to the change in control, and any such awards subject to performance standards will vest at the target amount associated with their grant, unless the Board or Compensation Committee determines that a higher level of vesting is appropriate.

Marc Montagner

Employment Agreement

We are party to an employment agreement with Mr. Montagner dated August 3, 2015. Mr. Montagner's employment agreement had an initial term of two years, beginning on September 15, 2015, and automatically renews for successive one-year terms, unless either we or Mr. Montagner provides written notice of non-renewal to the other party at least 90 days prior to the expiration of the then-current term, or if it is terminated earlier in accordance with its terms. The material terms of Mr. Montagner's employment agreement are summarized below.

Base Salary and Bonus

Mr. Montagner's annual base salary is $500,000 and he is eligible to earn an annual bonus in accordance with the MIP, with a target opportunity of 100% of his base salary.

Payments upon Termination of Employment

In the event Mr. Montagner is terminated without cause or he resigns his employment for good reason (as such terms are defined in his employment agreement), he will be entitled to continued payment of his base salary for a period of 12 months, or if the termination occurs within the one-year period following a change in control (as such terms are defined in his employment agreement), 24 months; payment of his annual bonus at target over a period of 12 months, or if the termination occurs within the one-year period following a change in control, over a period of 24 months; and reimbursement on a monthly basis for the COBRA premiums that he would be required to pay to continue group health insurance coverage for a period of up to 18 months following his termination. In order to receive these severance payments, Mr. Montagner must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including 18-month non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

Equity Acceleration upon a Change in Control

The award agreements governing Mr. Montagner's equity awards provide that in the event we undergo a change in control and Mr. Montagner's employment is terminated without cause by us within the one-year period following the change in control, any remaining unvested portion of his equity awards will vest in full as of his termination date.

John Orlando and David C. Bryson

Employment Agreement

We are party to an employment agreement with Mr. Orlando dated March 27, 2017 and an employment agreement with Mr. Bryson dated March 7, 2016. With the exception of base salary and target bonus percentage, which are summarized in the table below, both of the employment agreements have substantially identical terms.

Base Salary and Bonus

	Base Salary ($)	Annual Target Bonus Opportunity under the MIP
John Orlando	376,200	75%
David C. Bryson	350,000	60%

Term

Each of the employment agreements has an initial term of two years and then automatically renews for successive one-year terms, unless either we or the executive provides written notice of non-renewal to the other party at least 90 days prior to the expiration of the then-current term, or if it is terminated earlier in accordance with its terms. Mr. Orlando's initial term began on February 14, 2017 and Mr. Bryson's initial term began on February 22, 2016.

Payments upon Termination of Employment

In the event the executive is terminated without cause or resigns his employment for good reason (as such terms are defined in the applicable employment agreement), the executive 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 defined in the applicable employment agreement), 18 months; payment of annual bonus at target over a period of 12 months, or if the termination occurs within the one-year period following a change in control, over a period of 18 months; and reimbursement on a monthly basis for the COBRA premiums that the executive would be required to pay to continue group health insurance coverage for a period of up to 18 months following his termination. In order to receive these severance payments, the executive must sign a general release in favor of us and our affiliates and abide by specified restrictive covenants, including 18-month non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

Equity Acceleration upon a Change in Control

Except for Mr. Orlando's RSUs described in footnotes 7 and 8 to the "Outstanding Equity Awards at 2017 Fiscal Year-End" table above, which do not provide for any acceleration, the award agreements governing each executive's equity awards provide that in the event we undergo a change in control and the executive's employment is terminated without cause by us within the one-year period following the change in control (as such terms are defined in the applicable award agreement), any remaining unvested portion of his equity awards will vest in full as of his termination date.

Hari Ravichandran

In April 2017, we announced that we entered into a Transition, Separation and Release of Claims Agreement with Mr. Ravichandran, or the transition agreement, whereby Mr. Ravichandran would remain as chief executive officer and a member of our Board while we conducted a search to identify his successor. Mr. Ravichandran ceased serving as our chief executive officer as of August 22, 2017 and his employment with us terminated effective November 20, 2017. Under the transition agreement, Mr. Ravichandran is entitled to continued payment of his base salary for a period of 24 months after his employment termination date, as well as a lump sum payment in an amount (after applicable taxes) equal to the monthly COBRA premium that he would be required to pay to continue group health insurance coverage for a period of 18 months, or approximately $32,000. In addition, the transition agreement provided that Mr. Ravichandran's equity awards would continue to vest in accordance with their existing terms through his departure date, and extended by one year the period in which he may exercise his vested stock options. See "*Potential Payments Upon Termination or Change in Control*" table below.

With the exception of the additional year to exercise his vested stock options, these severance benefits are consistent with terms of Mr. Ravichandran's employment agreement that was in effect prior to the execution of the transition agreement. In order to receive these severance payments, Mr. Ravichandran signed a general release in favor of us and our affiliates and must abide by specified restrictive covenants, including two-year non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

See page 29 under "*Hari Ravichandran—Performance-Based Restricted Stock Award*" for a discussion of the treatment of his PRSA upon termination of employment.

Kathy Andreasen

Ms. Andreasen ceased serving as our chief administrative officer and chief people officer as of September 1, 2017 and her employment with us terminated effective November 1, 2017. In connection with the termination of Mr. Andreasen's employment, our employment agreement with Ms. Andreasen terminated and we entered into a separation agreement that provided for continued payment of Ms. Andreasen's base salary for a period of 12 months, payment of her target bonus for 2017, 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, and accelerated vesting of a total of 83,200 shares of restricted stock and restricted stock units. See "*Potential Payments Upon Termination or Change in Control*" table below.

In order to receive these severance payments, Ms. Andreasen signed a general release in favor of us and our affiliates and must abide by specified restrictive covenants, including 18-month non-competition and non-solicitation covenants, as well as confidentiality and non-disparagement obligations.

Potential Payments Upon Termination or Change in Control

The table below shows the benefits potentially payable to each of our NEOs if his or her employment were terminated by us without cause or by the NEO for good reason, if there were a change in control of our company (regardless of whether the NEO was terminated), if a termination without cause or for good reason took place in connection with a change in control, or in the event of the NEO's death or disability. These amounts are calculated on the assumption that the employment termination and change in control both took place on December 31, 2017, except for the figures shown for Mr. Ravichandran and Ms. Andreasen, which reflect actual amounts paid or payable to them in connection with their separation from the company.

	Benefits Payable Upon Termination Without Cause/Good Reason			Benefits Payable Upon a Change in Control (regardless of termination)	Benefits Payable Upon Termination Without Cause/Good Reason in Connection with a Change in Control			Benefits Payable Upon Termination due to Death or Disability
Name	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)	Equity Acceleration ($)(2)	Severance Payments ($)	COBRA ($)(1)	Equity Acceleration ($)(2)	Severance Payments ($)
Jeffrey H. Fox	1,540,000	—	—	6,698,072(3)	1,540,000	—	6,698,072	—
Marc Montagner	1,000,000	32,273	—	—	1,500,000	32,273	3,738,874	—
John Orlando	658,350	37,829	—	—	846,450	37,829	2,065,459	—
David C. Bryson	560,000	20,607	—	—	735,000	20,607	1,172,228	—
Hari Ravichandran(4)	400,000	32,273	15,233,117(5)	—	—	—	—	—
Kathy Andreasen(6)	560,000	32,273	694,720(7)	—	—	—	—	—

(1) Calculated based on the estimated cost to us of providing these benefits.

(2) Amounts represent the fair market value as of December 31, 2017 of any shares that would vest, based on the closing market price of $8.40 on December 29, 2017. The value of any option shares that would vest is calculated based on the difference between the closing price of our common stock on December 29, 2017 and the option exercise price, multiplied by the number of option shares.

(3) Mr. Fox's outstanding but unvested equity awards would vest in full immediately prior to a change in control only if the acquiring or succeeding corporation does not agree to assume the equity awards, or to substitute substantially equivalent awards for the outstanding equity awards.

(4) Amounts shown for Mr. Ravichandran are the actual amounts paid or payable to him under the Transition, Separation and Release of Claims Agreement. See "*Employment and Compensation Arrangements with Named Executive Officers—Hari Ravichandran*."

(5) Amount represents the fair market value of (i) 1,549,508 shares that were earned under Mr. Ravichandran's performance-based restricted stock award and that vested on November 20, 2017 in connection with Mr. Ravichandran's termination, based on the closing market price of $9.30 on November 20, 2017 and (ii) 111,931 additional shares earned under the performance-based restricted stock award that vested on February 13, 2018, the date the company's management determined the extent to which the performance targets were achieved for the quarterly period ended December 31, 2017, based on the closing market price of $7.35 on February 13, 2018.

(6) Amounts shown for Ms. Andreasen are the actual amounts paid or payable to her under her Separation Agreement with us. See "*Employment and Compensation Arrangements with Named Executive Officers—Kathy Andreasen*."

(7) Amount represents the fair market value as of November 1, 2017 of the shares that vested in connection with Ms. Andreasen's termination, based on the closing market price of $8.35 on November 1, 2017, the date of her departure from the company.

Pay Ratio

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to disclose the median of the annual total compensation of our employees, the annual total compensation of our chief executive officer, and the ratio of these amounts, which are shown for the year ended December 31, 2017 in the table below:

Median of the annual total compensation of all employees (excluding the CEO):	$ 35,471
Annual total compensation of the CEO:	$12,194,269
Ratio of annual total compensation of the CEO to the median of the annual total compensation of all employees:	344 to 1

The CEO to median employee pay ratio represents a reasonable estimate calculated in accordance with SEC regulations and guidance. Because SEC rules for identifying the median employee and calculating the pay ratio permit companies to use various methodologies and assumptions, to apply certain exclusions and to make reasonable estimates that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable with the pay ratio that we have reported.

We used December 31, 2017 as the date of determination for the median employee. As of that date, our total employee population consisted of approximately 3,642 individuals, of which 2,747 were employed in the United States and 895 were employed abroad, including in India, Brazil, the Netherlands and the United Kingdom. As permitted by SEC rules, for purposes of identifying the median employee, we excluded approximately 0.6% of our non-U.S. employee population consisting of approximately 5 individuals employed in the United Kingdom, resulting in an adjusted employee population of approximately 3,637 individuals.

We identified the median employee from our adjusted employee population based on gross income for 2017 as reported on an IRS Form W-2 or foreign equivalent. We converted compensation paid to our India, Brazil and Netherlands employees to U.S. dollars using the applicable exchange rate based on the noon buying rate set forth by the Federal Reserve Board for December 29, 2017: $1.00 U.S. dollar to INR 63.8300 Indian rupees; $1.00 U.S. dollar to BRL 3.3121 Brazilian real; $1.00 U.S. dollar to €0.8318 Euro. We did not annualize the reported gross income of employees as of December 31, 2017 who joined us during 2017.

Using this methodology, we determined that the median employee was a full-time, salaried employee located in the United States with gross income for 2017 in the amount of $35,101. We then identified and calculated the elements of such employee's compensation for 2017 pursuant to the requirements for the Summary Compensation Table set forth in Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of $35,471.

Since we had two chief executive officers during the year, SEC rules permit us to determine annual total CEO compensation by either combining the 2017 compensation of the former and current CEO, or using the compensation of the CEO serving as of the date we selected to identify the median employee, which was December 31, 2017. We chose the latter method, and therefore used annualized 2017 compensation for Mr. Fox, our CEO as of December 31, 2017. The total compensation reported for Mr. Fox in the Summary Compensation Table is $10,951,000, which includes a partial year's salary and no annual bonus because Mr. Fox joined the company on August 22, 2017. To calculate the pay ratio, we annualized Mr. Fox's salary to $750,000 and assumed a target bonus of $750,000, resulting in annual total compensation of $12,194,269, which exceeds the amount reported for him in the Summary Compensation Table by $1,243,269. In accordance with SEC rules, Mr. Fox's annual total compensation used to calculate the pay ratio includes the full grant date fair value of his Initial Equity Award, which was intended to cover 18 months, as discussed on page 28 under "*Jeffrey H. Fox—2017 Long-Term Equity Incentives*."

Director Compensation

We compensate our directors who are neither employees of our company nor affiliates of Warburg Pincus or Goldman Sachs, or our eligible directors, for their service as directors. Accordingly, Mr. Fox, our chief executive officer, and Mr. Ravichandran, our former chief executive officer, did not receive any additional compensation for their 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 2017, 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 May 12, 2017, we granted each eligible director an award of 22,293 restricted stock units under our Amended and Restated 2013 Stock Incentive Plan. The shares underlying these RSUs vest on the first anniversary of the grant date. We do not have a formal policy regarding director equity awards, and we may grant each eligible director additional equity grants during 2018.

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.

2017 Eligible Director Compensation

The following table sets forth information regarding the compensation of our eligible directors for their service on our Board in 2017:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards(2) ($)	All Other Compensation ($)	Total ($)
Dale Crandall	100,000	175,000	—	—	275,000
Tomas Gorny	80,000	175,000	—	—	255,000
Michael Hayford	90,000	175,000	—	—	265,000
Peter Perrone	90,000	175,000	—	—	265,000

(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, 2017.

(2) As of December 31, 2017, each of Messrs. Crandall, Gorny, Hayford and 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, 2017 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	12,060,910(2)	$12.30	16,832,720(3)
Equity Compensation Plans Not Approved by Security Holders	2,429,401(4)	$ 8.75	8,250,097(5)
Total	14,490,311	$12.15	25,082,817

(1) Does not take into account the shares issuable pursuant to RSUs, which have no exercise price.

(2) Consists of 8,575,150 shares subject to outstanding stock options, 3,004,137 shares subject to outstanding unvested RSUs and 481,623 shares issuable pursuant to vested 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 888,260 shares subject to outstanding stock options and 1,541,141 shares issuable pursuant to outstanding unvested RSUs, in each case issued under our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan.

(5) Consists of shares available for future issuance pursuant to our Constant Contact, Inc. Second Amended and Restated 2011 Stock Incentive Plan.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock, as of March 26, 2018, 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 26, 2018 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	37.1%
Investment funds and entities affiliated with Goldman Sachs(2)	15,378,567	10.9%
Okumus Fund Management Ltd.(3)	12,801,052	9.0%
Capital Research Global Investors(4)	7,339,928	5.2%
Named Executive Officers and Directors		
Jeffrey H. Fox	282,500	*
Marc Montagner(5)	801,039	*
John Orlando(6)	113,810	*
David C. Bryson(7)	664,788	*
Hari Ravichandran(8)	10,976,404	7.6%
Kathy Andreasen	126,692	*
James C. Neary(9)	52,562,956	37.1%
Dale Crandall(10)	116,309	*
Joseph P. DiSabato(11)	15,378,567	10.9%
Tomas Gorny(12)	2,436,313	1.7%
Michael Hayford(10)	117,179	*
Peter J. Perrone(10)	131,309	*
Chandler J. Reedy(9)	52,562,956	37.1%
Justin L. Sadrian(9)	52,562,956	37.1%
All executive officers and directors as a group (12 persons)	72,604,770	50.8%

(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 Warburg Pincus entities, WP X LP, Warburg Pincus X LLC, Warburg Pincus Partners, LLC, WP, WP LLC, Mr. Kaye and Mr. Landy have shared voting and investment control of all of the shares owned by the Warburg Pincus entities. The business address of the Warburg Pincus entities is c/o Warburg Pincus LLC, 450 Lexington Avenue, New York, New York 10017.

(2) Consists of (i) 6,656,301 shares of our common stock owned by GS Capital Partners VI Fund, L.P., a Delaware limited partnership; (ii) 5,536,478 shares of our common stock owned by GS Capital Partners VI Offshore Fund L.P., a Cayman Islands exempted limited partnership; (iii) 1,830,369 shares of our common stock owned by GS Capital Partners VI Parallel, L.P., a Delaware limited partnership; (iv) 236,565 shares of our common stock owned by GS Capital Partners VI GmbH & Co. KG, a German limited partnership; (v) 534,373 shares of our common stock owned by Bridge Street 2011, L.P., a Delaware limited partnership; (vi) 234,533 shares of our common stock owned by Bridge Street 2011 Offshore, L.P., a Cayman Islands exempted limited partnership; (vii) 349,502 shares of our common stock owned by MBD 2011 Holdings, L.P., a Cayman exempted limited partnership (collectively, the “GS Entities”) and (viii) 446 shares of our common stock owned by Goldman Sachs & Co. LLC (“GS”). GS is the investment manager for certain of the GS Entities; for a description of transactions between the company and GS, see page 15 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, Elizabeth Burban, Beth Cogan, Thomas G. Connolly, Chris Crampton, Jennifer N. Davidson, Joseph P. DiSabato, Raymond Filocoma, Charlie Gailliot, Alex Golten, Bradley J. Gross, Philip Grovit, Matthias Hieber, Martin A. Hintze, Stephanie Hui, Adrian M. Jones, Michael E. Koester, Scott Lebovitz, Yael K. Levy, Tim Li, Sumit Rajpal, James H. Reynolds, Ankur Sahu, Michael Simpson, David Thomas, Oliver Thym, Mitchell Weiss 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. LLC, 200 West Street, 28th Floor, New York, New York 10282.

(3) Based on the Amendment No. 1 to Schedule 13G filed on February 14, 2018 by Okumus Fund Management Ltd. (“Okumus Mgmt”), Okumus Opportunistic Value Fund, Ltd. (“Okumus Value”) and Ahmet H. Okumus. In such filing, Okumus Mgmt, Okumus Value and Mr. Okumus report that they each have shared voting and dispositive power over 12,801,052 shares of our common stock. The address of Okumus Mgmt and Mr. Okumus is 767 Third Avenue, 35th Floor, New York, New York 10017. The address of Okumus Value is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

(4) Based on the Schedule 13G filed on February 14, 2018 by Capital Research Global Investors, a division of Capital Research and Management Company. In such filing, Capital Research Global Investors reports that it has sole voting and dispositive power over 7,339,928 shares of our common stock. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, California 90071.

(5) Consists of 198,691 shares of our common stock that have vested as of March 26, 2018, 98,480 shares of our common stock that remain subject to vesting as of that date, 159,236 shares subject to restricted stock units that will vest within 60 days of March 26, 2018 and 344,632 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 26, 2018.
(6) Consists of 343 shares of our common stock that have vested as of March 26, 2018, 95,335 shares subject to restricted stock units that will vest within 60 days of March 26, 2018 and 18,132 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 26, 2018.
(7) Consists of 339,843 shares of our common stock that have vested as of March 26, 2018, 27,638 shares of our common stock that remain subject to vesting as of that date, 31,843 shares subject to restricted stock units that will vest within 60 days of March 26, 2018 and 265,464 shares of our common stock subject to stock options that are exercisable or will become exercisable within 60 days of March 26, 2018.
(8) Includes 7,549,284 shares of our common stock directly owned by Mr. Ravichandran and 217,309 shares of our common stock held by the 2013 Ravichandran Family GST Trust (the "Trust"). Mr. Ravichandran is an investment advisor of the Trust and may be deemed to be the beneficial owner of the shares owned by the Trust. Also includes 481,623 shares of our common stock underlying restricted stock units that have vested as of March 26, 2018, and 2,728,188 shares of our common stock subject to stock options that are exercisable within 60 days of March 26, 2018.
(9) 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 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.
(10) Includes 22,293 shares subject to restricted stock units that will vest within 60 days of March 26, 2018 and 78,250 shares of our common stock subject to stock options that are exercisable within 60 days of March 26, 2018.
(11) 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.
(12) 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 22,293 shares subject to restricted stock units that will vest within 60 days of March 26, 2018 and 78,250 shares of our common stock subject to stock options that are exercisable within 60 days of March 26, 2018.

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 2017, our directors, officers and beneficial owners of more than 10% of our common stock timely complied with all applicable filing requirements, except that two Forms 4 were filed late on behalf of John Orlando for the sale of shares on January 4, 2017 and July 3, 2017 to satisfy tax withholding obligations in connection with the vesting of restricted stock units. 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 the 2020 annual meeting;
- Class II consists of Dale Crandall, Tomas Gorny and Justin Sadrian, each with a term ending at this Annual Meeting; and
- Class III consists of Joseph DiSabato, Jeffrey H. Fox and James Neary, 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. Crandall, Gorny and Sadrian are current directors whose terms expire at the Annual Meeting. Messrs. Crandall, Gorny and Sadrian are each nominated for re-election as a Class II director, with a term ending in 2021.

Unless otherwise instructed in the proxy, all proxies will be voted "FOR" the election of all of the Class II nominees identified above to a three-year term ending in 2021, 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 II 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. CRANDALL, GORNY AND SADRIAN.

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 account for a significant majority of our executives' compensation, which links executive and stockholder interests and rewards executives for appreciation in our stock price.
- Our annual cash bonus program, the Management Incentive Plan, is tied to the achievement of designated company performance targets, as well as to individual performance.
- Our executive compensation is benchmarked annually by our independent compensation consultant against a peer group of companies within a reasonable size range of us.
- Our NEOs do not have guaranteed base salary increases, bonuses, pension benefits, or "golden parachute" excise tax gross-up arrangements.
- We believe our compensation program does not encourage excessive risk taking.
- We prohibit hedging and pledging of our stock by employees, officers and directors.

We encourage stockholders to closely read the "Executive Compensation" section of this proxy statement beginning with the "Compensation Discussion and Analysis" on page 22, which describes in detail our executive compensation program, certain best practices that it features, factors affecting our 2017 executive compensation and the decisions made by our Compensation Committee and our Board with respect to 2017 executive compensation.

Our Board is asking stockholders to approve, on a non-binding advisory basis, the following resolution:

> RESOLVED, that the compensation paid to the named executive officers of Endurance International Group Holdings, Inc., as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in the proxy statement of Endurance International Group Holdings, Inc., is hereby approved.

As an advisory vote, this proposal is not binding. The outcome of this advisory vote will not overrule any decision by us or our Board (or any committee thereof). However, our Compensation Committee and Board value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for NEOs.

OUR BOARD RECOMMENDS THAT STOCKHOLDERS VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS BY VOTING "FOR" PROPOSAL 2.

PROPOSAL 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of BDO USA, LLP, or BDO, an independent registered public accounting firm, to audit our books, records and accounts for the year ending December 31, 2018. This appointment is being presented to the stockholders for ratification at the Annual Meeting. BDO has served as our auditor since 2008.

BDO has no direct or indirect material financial interest in our company or our subsidiaries. Representatives of BDO are expected to be present at the Annual Meeting and will be given the opportunity to make a statement on the firm's behalf if they so desire. The representatives also will be available to respond to questions as appropriate.

The following table summarizes BDO's fees billed to us for each of the last two fiscal years. For the fiscal year ended December 31, 2017, audit fees include amounts not yet billed of approximately $742,333.

Fee Category	2016	2017
Audit Fees(1)	$2,144,816	$1,743,269
Audit-Related Fees(2)	$ —	$ 98,516
Tax Fees(3)	$ 37,348	$ 110,428
Total Fees	$2,182,164	$1,952,213

(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 year ended 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, 2016 and December 31, 2017, we incurred fees of approximately $15,413 and $15,271, respectively, for tax compliance and return preparation, and fees of approximately $21,935 and $95,157, 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, 2018. 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, 2018.

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 2019 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 2019, or the 2019 Annual Meeting, stockholder proposals must include the information set forth in our bylaws and be received at our principal executive offices no later than December 14, 2018. However, if the date of next year's annual meeting is changed by more than 30 days from the anniversary date of this year's annual meeting on May 23, 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 2019 Annual Meeting but not included in the proxy statement by February 22, 2019, but not before January 23, 2019. However, in the event the 2019 Annual Meeting is scheduled to be held on a date before May 3, 2019, or after July 22, 2019, 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 90^{th} day before the scheduled date of such annual meeting and (2) the 10^{th} 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 2019 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.

Performance Quarter Ended September 30, 2015 through Performance Quarter Ended December 31, 2016

(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 payments related to:							
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

Performance Quarter Ended March 31, 2017 through Performance Quarter Ended December 31, 2017

(numbers in thousands, except for share and per-share numbers)	**PQ Ended 3/31/2017**	**PQ Ended 6/30/17**	**PY Ended 6/30/2017**	**PQ Ended 9/30/17**	**PQ Ended 12/31/17**
Cash flow from operations	33,675	48,747	171,768	46,444	72,407
Less:					
Capital expenditures and capital lease obligations	(11,295)	(11,908)	(42,496)	(14,571)	(12,678)
Free cash flow (FCF)	22,380	36,839	129,272	31,873	59,729
Plus payments related to:					
Transaction expenses and charges		773	2,297		
Integration and restructuring expenses	3,143	4,588	14,558	4,858	4,131
Legal advisory expenses	1,530	2,418	6,595	1,442	1,417
FCF per PRSA agreement	27,053	44,618	152,722	38,173	65,277
Outstanding shares	142,460,762	143,041,077	143,041,077	143,397,318	143,623,640
Less: Award Shares	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)	(3,693,754)
Outstanding shares per PRSA agreement	138,767,008	139,347,323	139,347,323	139,703,564	140,036,897
FCF per share per PRSA agreement	$ 0.19	$ 0.32	$ 1.10	$ 0.27	$ 0.47

Reconciliation of adjusted EBITDA to net loss calculated in accordance with GAAP	Year ended December 31, 2017
Net loss	(99,784)
Interest expense, net(1)	156,406
Income tax expense (benefit)	(17,281)
Depreciation	55,185
Amortization of other intangible assets	140,354
Stock-based compensation	60,001
Restructuring expenses	15,810
Transaction expenses and charges	773
(Gain) loss of unconsolidated entities(2)	(110)
Impairment of other long-lived assets	31,460
SEC investigations reserve	8,000
Adjusted EBITDA	**350,814**

BOARD MEMBERS AND EXECUTIVE TEAM

BOARD OF DIRECTORS

James C. Neary (Chairman)
Managing Director, Partner
Warburg Pincus

Dale Crandall
President and Founder
Piedmont Corporate Advisors

Joseph P. DiSabato
Managing Director
Goldman Sachs

Jeffrey H. Fox
President and Chief Executive Officer
Endurance International Group

Tomas Gorny
Chief Executive Officer and Chairman
Unitedweb

Michael D. Hayford
Retired Chief Financial Officer
Fidelity National Information Services

Peter J. Perrone
Chief Financial Officer
AtScale

Chandler J. Reedy
Managing Director, Partner
Warburg Pincus

Justin L. Sadrian
Managing Director, Partner
Warburg Pincus

EXECUTIVE OFFICERS

Jeffrey H. Fox
President and Chief Executive Officer

Marc Montagner
Chief Financial Officer

David C. Bryson
Chief Legal Officer

John Orlando
Chief Marketing Officer

Bringing together technology, people, products, and data
to create solutions that (em)Power small business.

ENDURANCE
International Group

Constant Contact® HostGator bluehost DOMAIN.COM