



Q4 and Full Year 2023 Earnings Conference Call

February 8, 2024

Safe Harbor Disclosure

Statements in this presentation other than historical data and information constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to, statements regarding (i) Q4 2023 renewal rate expectations, (ii) Domain Name Base change expectations, and (iii) our full year 2023 financial guidance for Revenue; Operating Income; Interest Expense and Non-Operating Income, net; Capital Expenditures; and Effective Tax Rate. These statements are based on current expectations and assumptions and involve risks and uncertainties that could cause our actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, attempted security breaches, cyber-attacks, and DDoS attacks against our systems and services; the introduction of undetected or unknown defects in our systems or services; vulnerabilities in the global routing system; system interruptions or system failures; damage or interruptions to our data centers, data center systems or resolution systems; risks arising from our operation of root servers and our performance of the Root Zone Maintainer functions; any loss or modification of our right to operate the .com and .net gTLDs; changes or challenges to the pricing provisions of the .com Registry Agreement; new or existing governmental laws and regulations in the U.S. or other applicable non-U.S. jurisdictions; new laws, regulations, directives or ICANN policies that require us to obtain and maintain personal information of registrants; economic, legal, regulatory, and political risks associated with our international operations; unfavorable changes in, or interpretations of, tax rules and regulations; risks from the adoption of ICANN's consensus and temporary policies, technical standards and other processes; the weakening of, or changes to, the multi-stakeholder model of internet governance; the outcome of claims, lawsuits, audits or investigations; deterioration of economic conditions; our ability to compete in the highly competitive business environment in which we operate; changes in internet practices and behavior and the adoption of substitute technologies, or the negative impact of wholesale price increases; our ability to expand our services into developing and emerging economies; our ability to maintain strong relationships with registrars and their resellers; our ability to attract, retain and motivate highly skilled employees; and our ability to protect and enforce our intellectual property rights. More information about potential factors that could affect our business and financial results is included in our filings with the SEC, including in our Annual Report on Form 10-K for the year ended Dec. 31, 2022, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and, when filed, our Annual Report on Form 10-K for the year ended 2023. Verisign undertakes no obligation to update any of the forward-looking statements after the date of this presentation.

Agenda

Introduction

Business Highlights

Financial Performance / Guidance

Closing / Q&A / Appendix

Introduction

Our Mission

Verisign enables the world to connect online with reliability and confidence, anytime, anywhere

We remain fully focused on operating secure, stable, and reliable internet infrastructure, upon which the world depends

- Our critical internet infrastructure and the expertise of our teams enable us to reliably and accurately provide the critical DNS navigation service that people around the world rely on more than ever for commerce, work-from-home, education, healthcare, and much more
- We continue to operate our registry services for .com and .net and our root operations at the rigorous standards of performance and availability governed by our agreements with ICANN
- We continue to enhance our critical internet infrastructure, services and capabilities

Capital Allocation

Q4 Share Repurchases

\$223

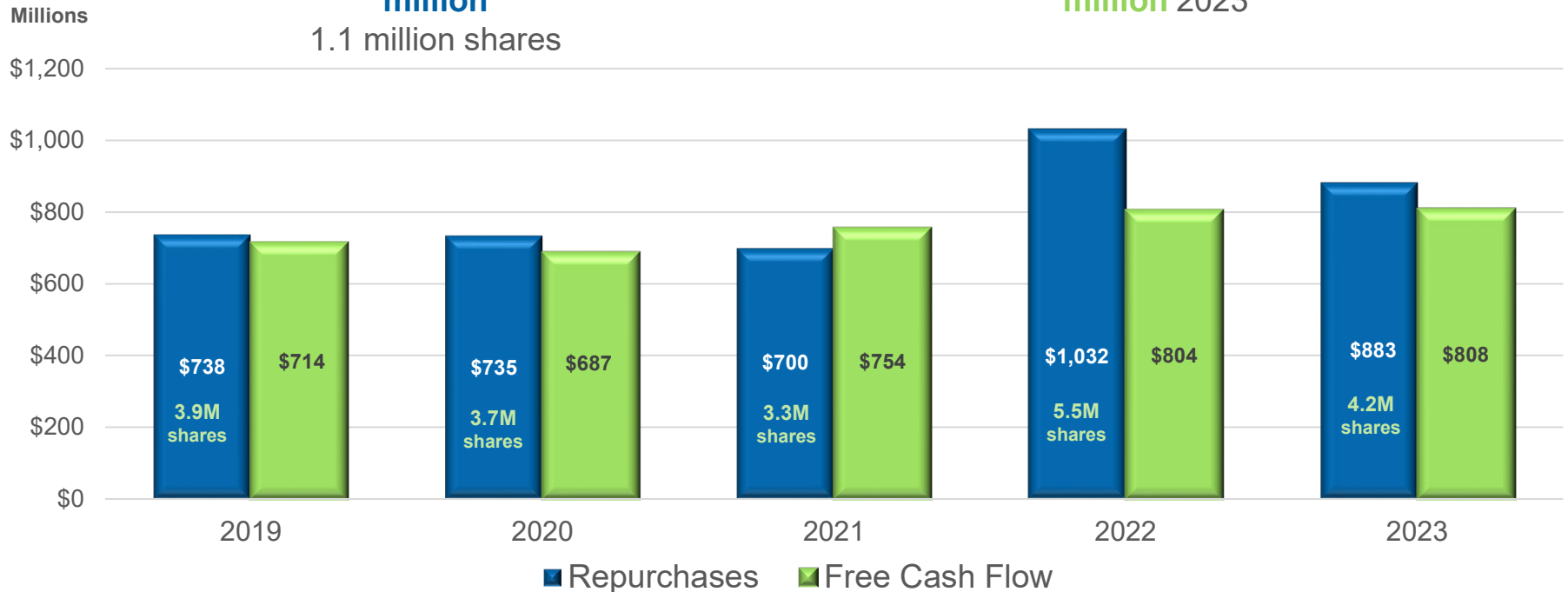
million

1.1 million shares

Free Cash Flow⁽¹⁾

\$808

million 2023



Remaining Authorized Repurchases

\$1.12

billion at end Q4

Cash and Investments⁽²⁾

\$926

million at end Q4-23

1) Free cash flow is a non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures. See reconciliation of operating cash flow to free cash flow in slide appendix for more detail.

2) Cash and Investments includes cash, cash equivalents and marketable securities.

Business Highlights

Domain Name Base⁽¹⁾

172.7

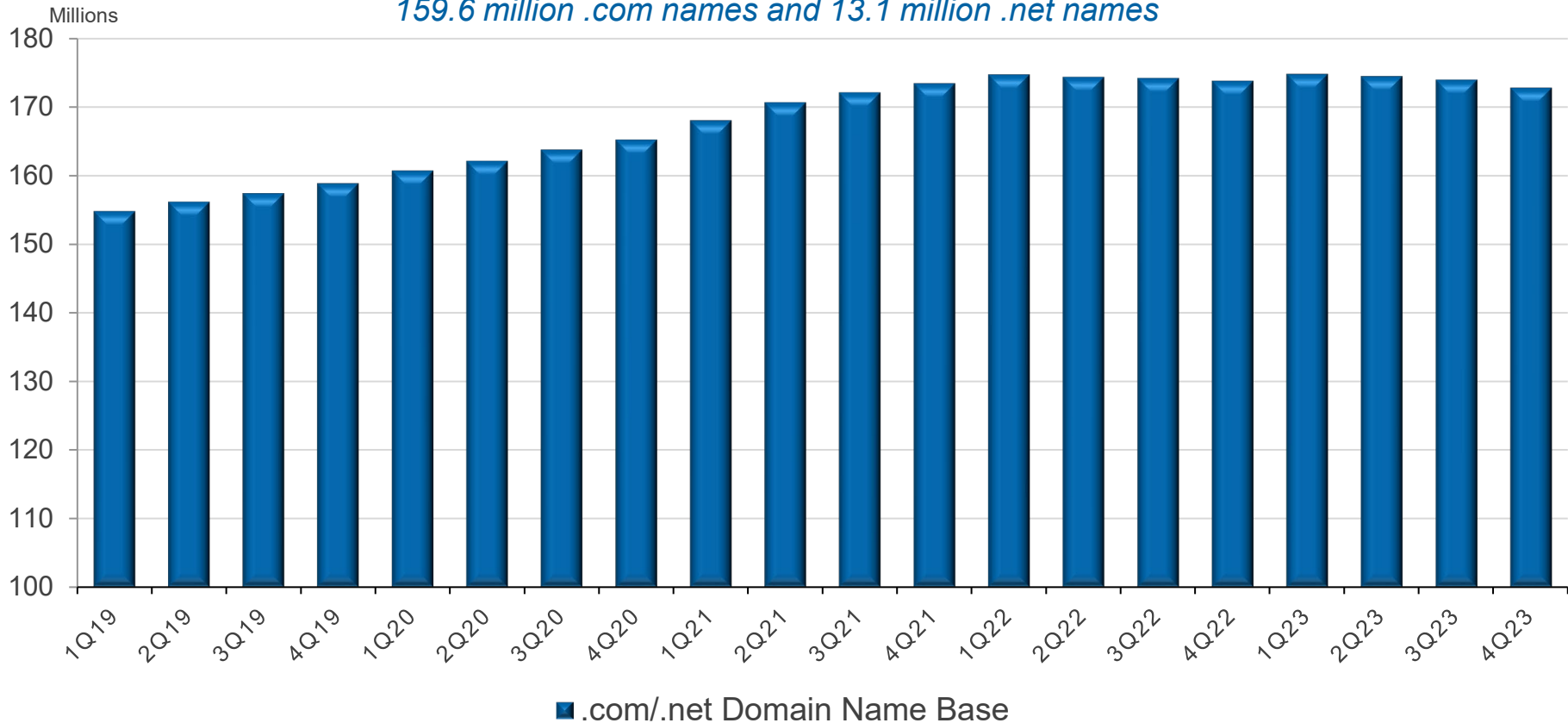
million names end Q4-23, -0.6%
Y/Y

Net Change

-1.2

million names Q/Q

159.6 million .com names and 13.1 million .net names



1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status. The sum of the .com and .net domain names may not match the total domain name base due to rounding.

Business Highlights

New Name Registrations

9.0

million

vs 9.7 million Q4-22, -7.5% Y/Y

Q4 Preliminary Renewal Rate⁽¹⁾

73.1%

vs 73.5% last quarter

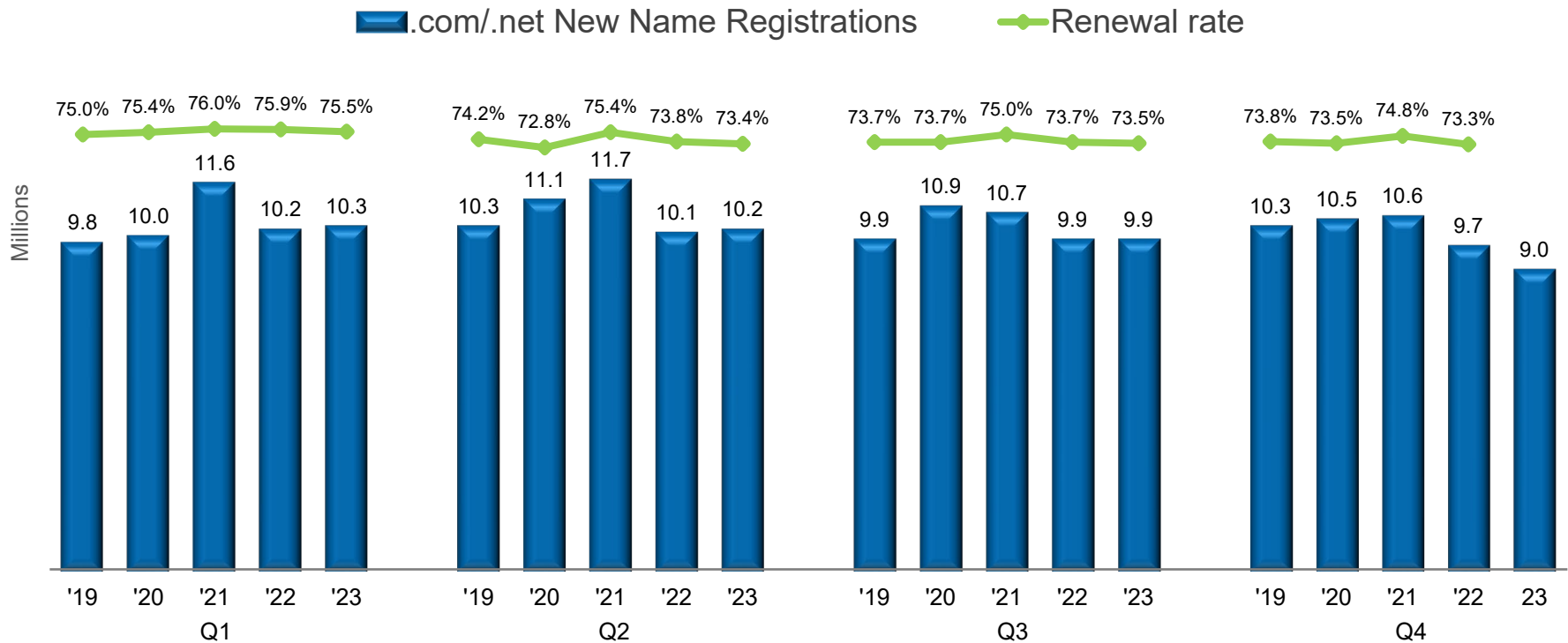
vs 73.3% last year

Q1-24 Expiring Names

40.9

million

vs 40.4 million Q1-23

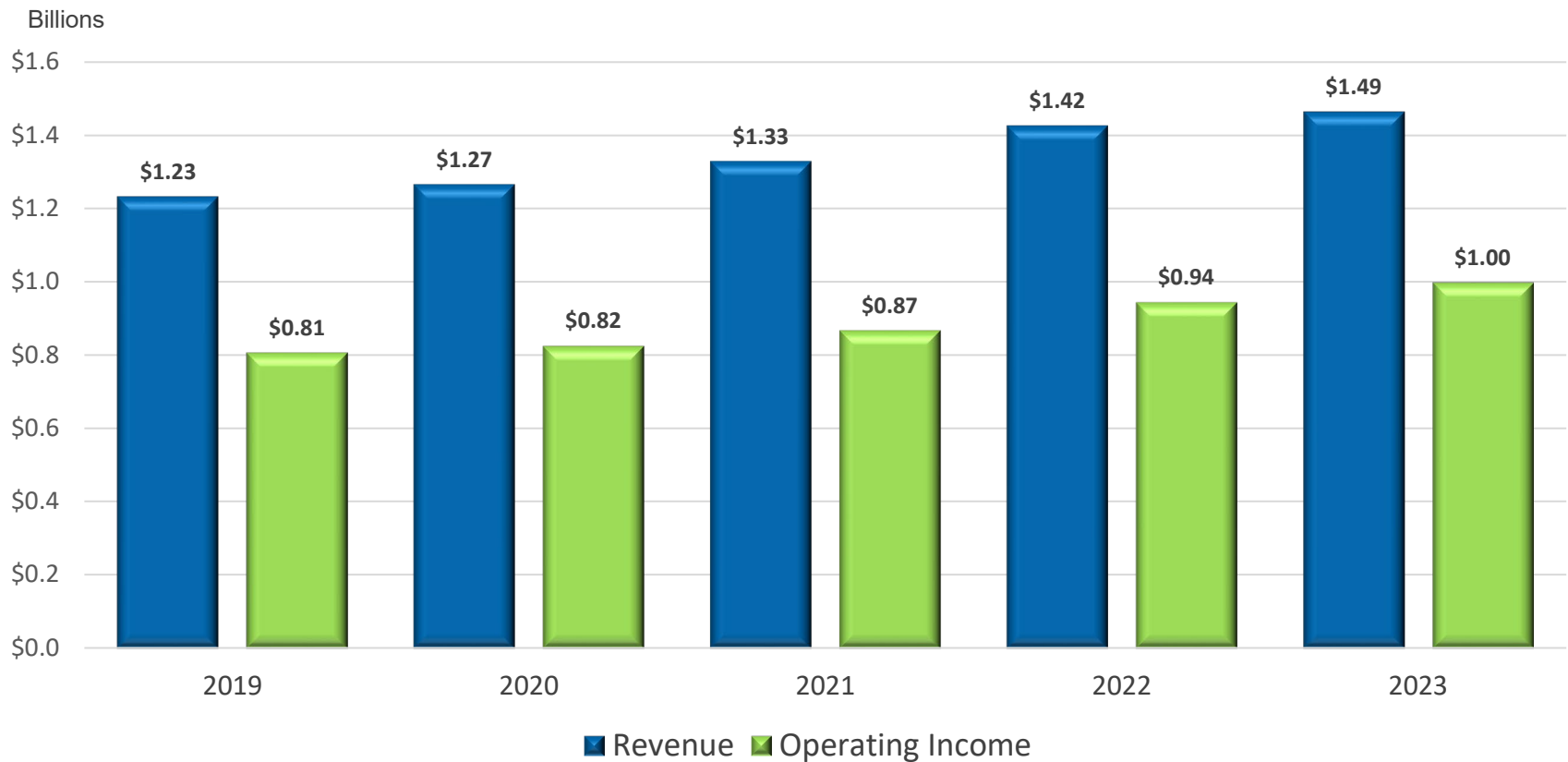


¹⁾ Renewal rates are not fully measurable until 45 days after the end of the quarter. This guidance is based on historical and current market trends.

Financial Performance: Full Year

Revenue
\$1.49
billion 2023
+4.8% Y/Y

Operating Income
\$1.00
billion 2023
+6.1% Y/Y



Financial Performance: Q4 2023

Revenue

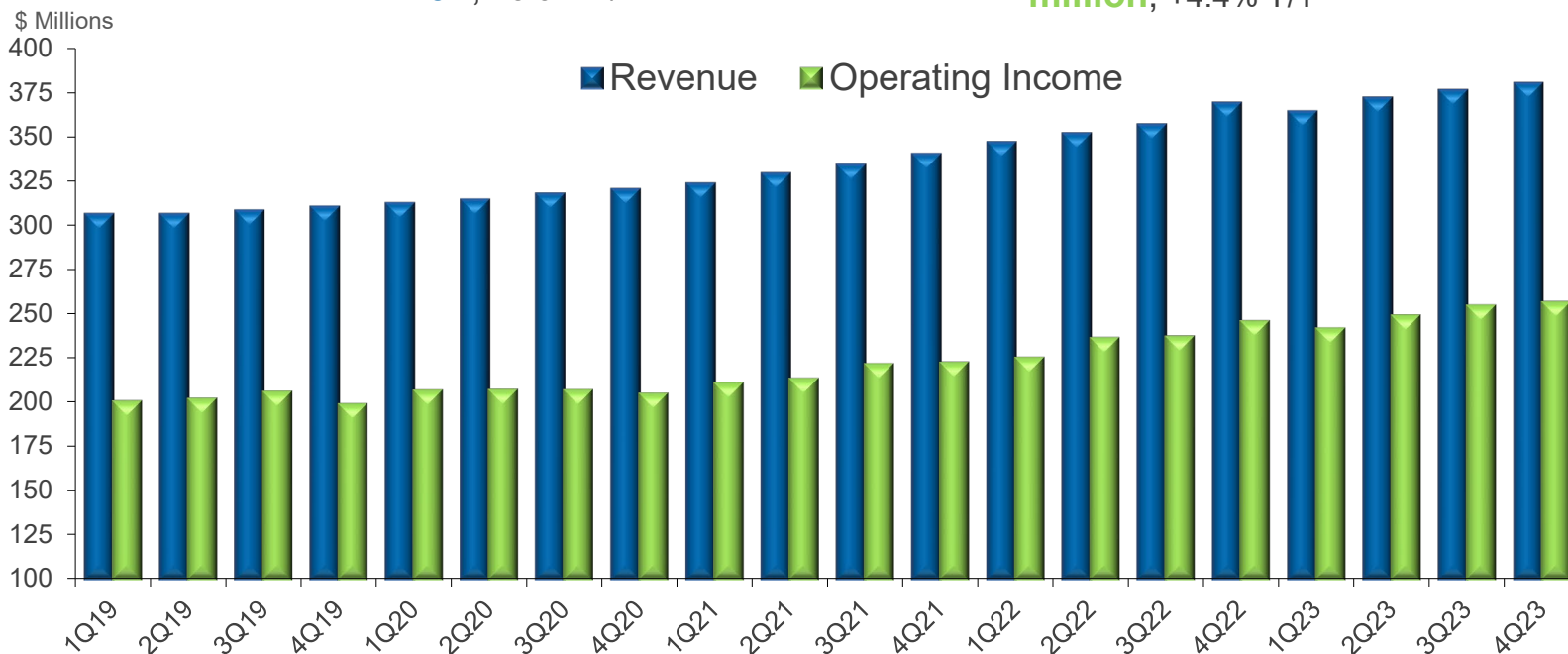
\$380

million, +3.0% Y/Y

Operating Income

\$256

million, +4.4% Y/Y



Operating Cash Flow

\$204

million

Free Cash Flow⁽¹⁾

\$199

million

Earnings per Share⁽²⁾

\$2.60

+53% Y/Y

- 1) Free cash flow is a non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures. See reconciliation of operating cash flow to free cash flow in slide appendix for more detail.
- 2) Net income for the fourth quarter of 2023 included recognition of income tax benefits related to a step-up in tax basis of certain non-U.S. intellectual property, recognition of previously unrecognized income tax benefits as the related statutes of limitations lapsed, and a beneficial change in certain state income apportionment rules. Cumulatively, these income tax benefits increased net income by \$69.3 million and increased diluted EPS by \$0.68 in the fourth quarter and by \$0.67 for the full year 2023.

Guidance: Full Year 2024

	Guidance ⁽¹⁾⁽²⁾
Domain Base Growth	-1.0% to 1.0%
Revenue (billions)	\$1.560 to \$1.580
Operating Income (billions)	\$1.045 to \$1.065
Interest Expense and Non-Operating Income, Net Expense (millions)	\$30 to \$40
Capital Expenditures (millions)	\$35 to \$45
Effective Tax Rate	21% to 24%

1) Our guidance is based on expectations about the outlook of our business in addition to our financial projections for interest income and expense.

2) Financial forecasts and guidance are forward looking statements and actual results may vary for any number of reasons including those mentioned in our most recent 10-K, 10-Q and 8-K filings with the SEC.

Summary

Our strategic framework:

Protect
Grow
Manage

has been effective and instrumental in creating and upholding value for internet users, customers and shareholders

- Delivered solid, consistent financial results
- Exceeded 26 years of uptime in the .com, .net domain name system
- Returned \$883 million in share repurchases during 2023

Q&A Appendix

Non-GAAP Financial Measures

Verisign provides quarterly and annual financial statements that are prepared in accordance with generally accepted accounting principles (GAAP). Along with this information, management typically discloses and discusses certain non-GAAP financial measures on investor conference calls and related events. The non-GAAP financial measures included in this presentation are Adjusted EBITDA and Free cash flow.

Adjusted EBITDA is a non-GAAP financial measure and is calculated in accordance with the terms of the indentures governing Verisign's 2025 and 2027 senior notes. Adjusted EBITDA refers to net income before interest, taxes, depreciation and amortization, stock-based compensation, and unrealized gain / loss on hedging agreements.

Free cash flow is a non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures.

Management believes that these non-GAAP financial measures supplement the GAAP financial measures by providing investors with additional information that allows them to have a clearer picture of Verisign's operations and financial performance and the comparability of Verisign's operating results from period to period. The presentation of these non-GAAP financial measures is not meant to be considered in isolation nor as a substitute for financial measures prepared in accordance with GAAP.

The tables herein include a reconciliation of the non-GAAP financial measures to the comparable financial measures reported in accordance with GAAP for the given periods.

Reconciliation of Adjusted EBITDA & Free Cash Flow

Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA:

(In Millions)

	Year Ended December 31, 2023
Net Income	\$ 817.6
Interest expense	75.3
Income tax expense	158.9
Depreciation and amortization	44.1
Stock-based compensation	59.7
Unrealized loss on hedging agreements	11.0
Non-GAAP Adjusted EBITDA	<u><u>\$ 1,166.6</u></u>

Reconciliation of Operating Cash Flow to Free Cash Flow:⁽¹⁾

	Year Ended December 31,					Three months ended December 31,	
(In Millions)	2019	2020	2021	2022	2023	2022	2023
Cash Flow from Operating Activities	\$ 753.9	\$ 730.2	\$ 807.2	\$ 831.1	\$ 853.8	\$ 216.9	\$ 204.2
Acquisition of property and equipment, net	(40.3)	(43.4)	(53.0)	(27.4)	(45.8)	(7.7)	(5.0)
Total Free Cash Flow	<u><u>\$ 713.6</u></u>	<u><u>\$ 686.8</u></u>	<u><u>\$ 754.1</u></u>	<u><u>\$ 803.7</u></u>	<u><u>\$ 807.9</u></u>	<u><u>\$ 209.2</u></u>	<u><u>\$ 199.1</u></u>

1) The sum of the amounts in the columns and rows may not match the total amounts shown due to rounding.

Classification of Stock-Based Compensation

(In Millions)

	Three Months Ended		
	December 31, 2023	September 30, 2023	December 31, 2022
Cost of revenues	\$ 1.9	\$ 1.9	\$ 1.9
Research and development	2.5	2.5	2.3
Selling, general and administrative	10.3	11.1	10.2
Total stock-based compensation expense	<u>\$ 14.7</u>	<u>\$ 15.5</u>	<u>\$ 14.4</u>

	Year Ended December 31,	
	2023	2022
Cost of revenues	\$ 7.1	\$ 7.2
Research and development	10.0	9.5
Selling, general and administrative	42.6	41.9
Total stock-based compensation expense	<u>\$ 59.7</u>	<u>\$ 58.6</u>

