Verisign

Q3 2019 Earnings Conference Call

October 24, 2019

VERISIGN

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) Q3 2019 renewal rate expectations, (ii) Domain Name Base increase expectations, and (iii) our full year 2019 financial guidance for Revenue, Domain Name Base Growth, Non-GAAP Operating Margin, Interest Expense and Non-Operating Income, net, Capital Expenditures and Cash Taxes. 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, risks arising from the agreements governing our Registry Services business; new or existing governmental laws and regulations in the U.S. or other applicable foreign jurisdictions; system interruptions, security breaches, attacks on the internet by hackers, viruses, or intentional acts of vandalism; the uncertainty of the impact of changes to the multi-stakeholder model of internet governance; risks arising from our operation of two root zone servers and our performance of the Root Zone Maintainer functions; changes in internet practices and behavior and the adoption of substitute technologies; the success or failure of the evolution of our markets; the highly competitive business environment in which we operate; whether we can maintain strong relationships with registrars and their resellers to maintain their marketing focus on our products and services; the possibility of system interruptions or failures; challenging global economic conditions; economic, legal and political risk associated with our international operations; our ability to protect and enforce our rights to our intellectual property and ensure that we do not infringe on others' intellectual property; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants, or litigation generally; the impact of our new strategic initiatives, including our IDN gTLDs; whether we can retain and motivate our senior management and key employees; and the impact of unfavorable tax rules and regulations. 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 December 31, 2018, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Verisign undertakes no obligation to update any of the forward-looking statements after the date of this presentation.

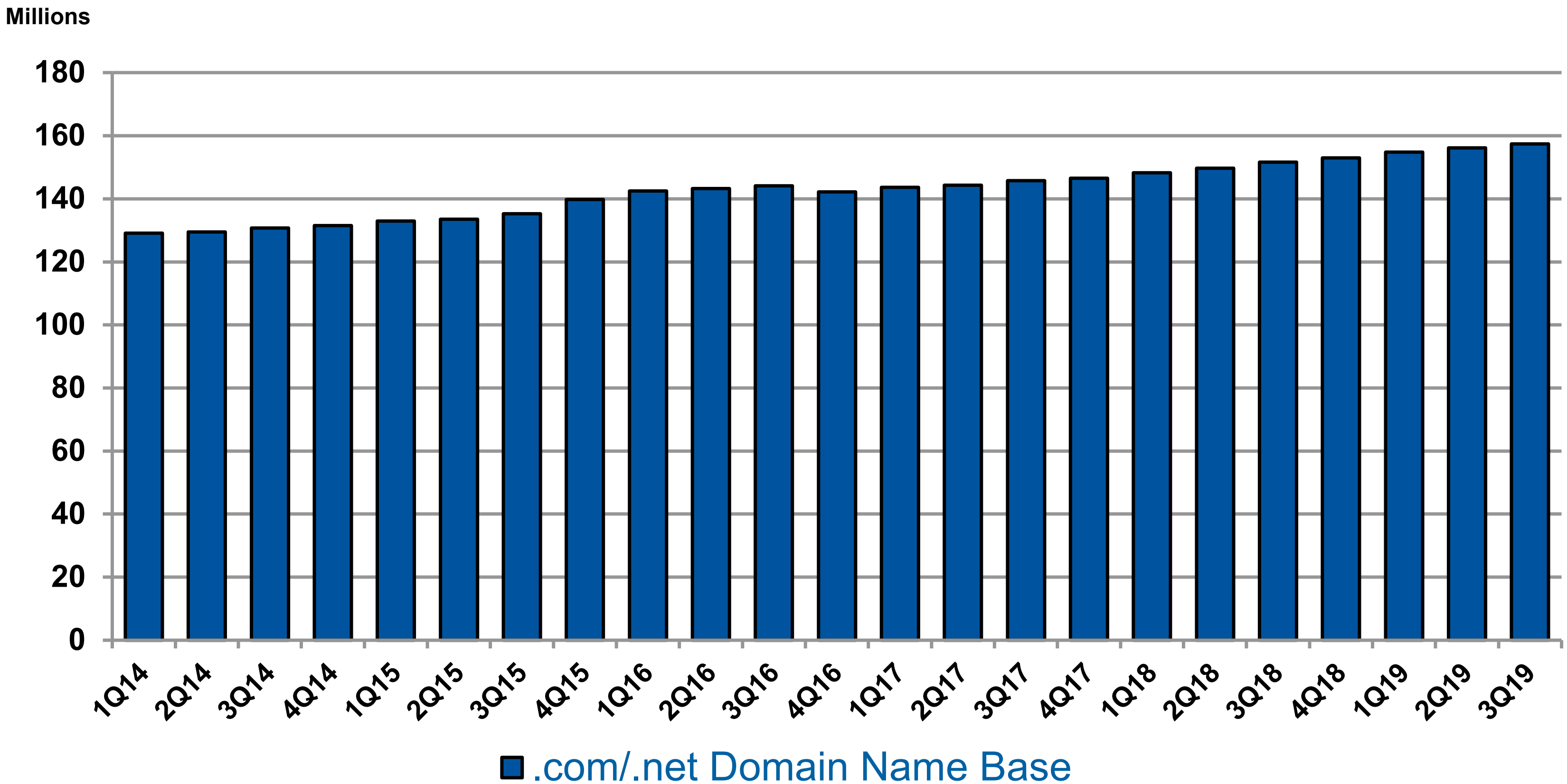
Agenda

Introduction
Registry Services Highlights
Financial Performance / Guidance
Closing / Q&A / Appendix

Registry Services Highlights

Domain Name Base[1] at 157.4 Million Names, up 3.8% Y/Y

144.0 Million .com Names and 13.4 Million .net Names



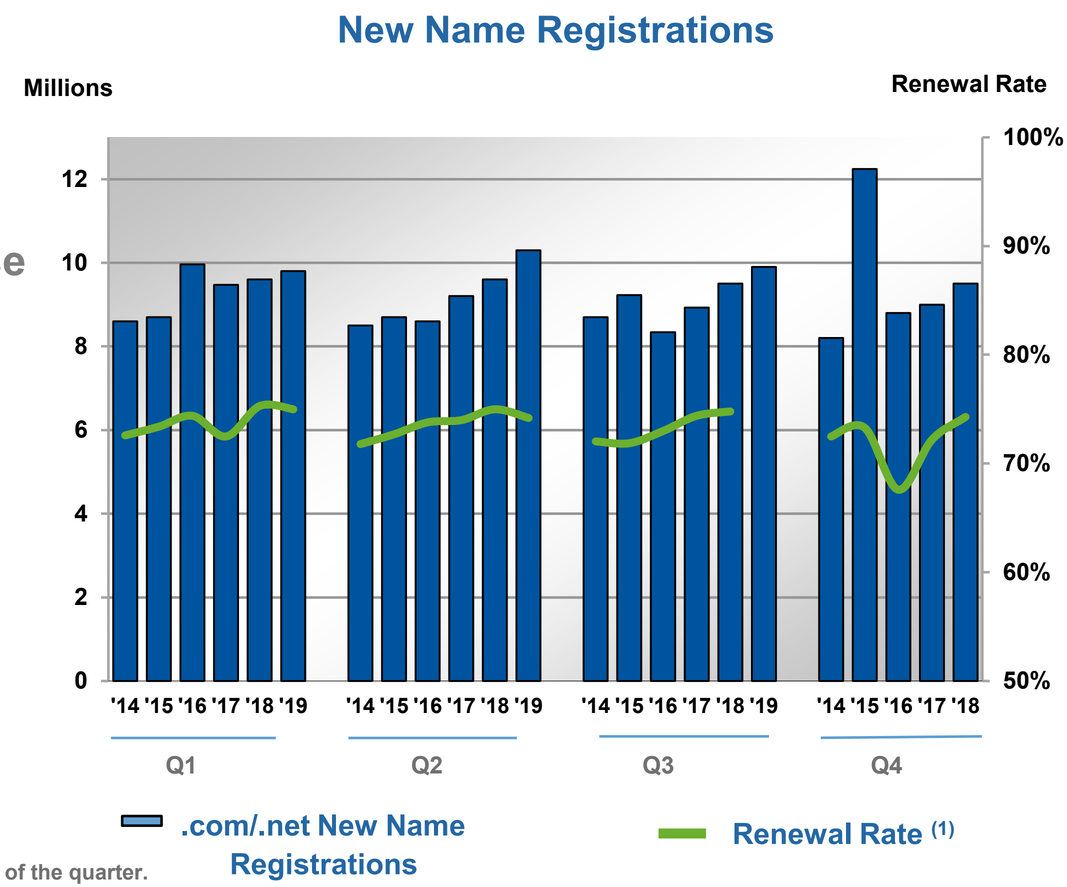
1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status. This data is not comparable to previous earnings presentations, prior to first quarter 2015, where names in hold status were not included.

Registry Services Highlights

9.9 Million New Name Registrations in Q3 2019

Compared with 9.5 Million in Q3 2018

- **Q2 2019 renewal rate 74.2%**
  - **Q3 2019 renewal rate expected to be approximately 73.6%[(1)(2)] compared with 74.8% in Q3 2018**
- **Ending Q3 2019 Domain Name Base increased by 1.27M registrations from prior quarter end**
- **32.7M registrations expiring in Q4 2019 vs. 31.2M in Q4 2018**
- **Domain Name Base expected to increase by between 3.2% to 3.7% from end 2018 to end 2019[(2)(3)]**

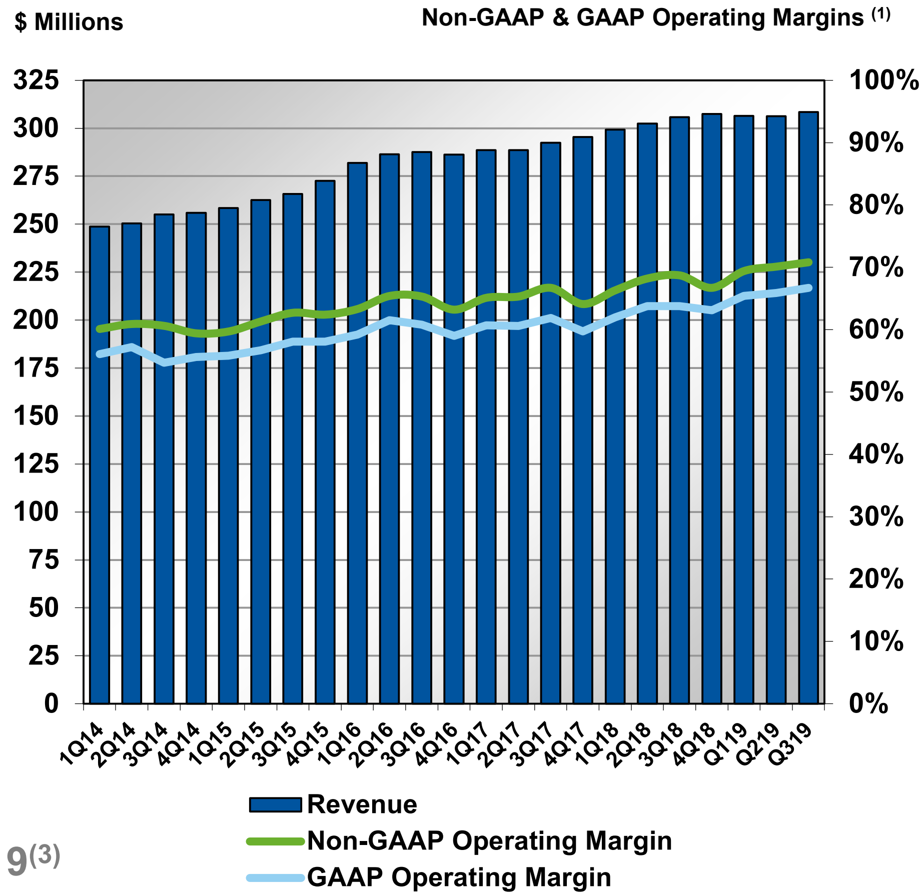


1) Renewal rates are not fully measurable until 45 days after the end of the quarter.
2) This guidance is based on historical seasonality and current market trends.
3) Financial forecasts and guidance are forward looking statements and actual results may vary for a number of reasons including those mentioned in our most recent 10-K, 10-Q and 8-K filings with the SEC.

Q3 2019 Financial Performance

- Revenue of $308M, up 0.9% y/y
- GAAP operating margin of 66.7%
- GAAP diluted EPS of $1.30
- Non-GAAP operating margin of 70.8%[1]
- Non-GAAP diluted EPS of $1.36[1]
- Operating Cash Flow of $208M
- Free Cash Flow of $197M[2]
- 874 Full-Time Employees at Sept. 30, 2019[3]

Revenue & Profitability



1) See "Reconciliation of Non-GAAP Financial Measures" in slide appendix for important information.

2) Free cash flow is a non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures. See Free Cash Flow Calculation in slide appendix for more detail.

3) Net of interns.

Full Year 2019 Financial Guidance[1][2]

- **Revenue**
  - $1.228 billion to $1.233 billion; narrowed from $1.225 billion to $1.235 billion
- **Domain Name Base Growth**
  - 3.2% to 3.7%; narrowed from 3.0% to 4.25%
- **Non-GAAP Operating Margin**[3]
  - 69.5% to 70.0%; increased and narrowed from 68.0% to 69.0%
- **Interest Expense and Non-Operating Income, net**
  - $44 million to $49 million expense; narrowed from $42 million to $49 million
- **Capital Expenditures**
  - $40 million to $50 million expense; decreased from $45 million to $55 million
- **Cash Taxes**
  - $85 million to $95 million; narrowed from $85 million to $100 million

1) Our guidance is based on expectations about the outlook of our business in addition to our financial projections for interest income and expense. Guidance for all non-GAAP figures is based on the definition of non-GAAP metrics noted below. See "Reconciliation of Non-GAAP Financial Guidance" in Q&A Appendix.

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

3) The most directly comparable GAAP measure to non-GAAP operating margin is GAAP operating income. Non-GAAP operating margin is defined as GAAP operating income adjusted for stock-based compensation which is then divided by revenues.

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 in quarterly earnings news releases, on investor conference calls and during investor conferences and related events. The non-GAAP financial measures included in this presentation, other than free cash flow, do not include stock-based compensation which is included in the comparable GAAP financial measures. Non-GAAP net income is also adjusted for an income tax rate of 22 percent which differs from the GAAP income tax rate. Free Cash Flow is GAAP 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 Non-GAAP Financial Measures

(In thousands, except per share data)

	Three Months Ended					
	September 30, 2019		June 30, 2019		September 30, 2018	
	Operating Income	Net Income	Operating Income	Net Income	Operating Income	Net Income
GAAP as reported	$ 205,616	$ 153,913	$ 201,693	$ 147,534	$ 194,997	$ 137,680
Adjustments:						
Stock-based compensation	12,620	12,620	13,155	13,155	15,130	15,130
Tax adjustment		(5,774)		(1,843)		(1,933)
Non-GAAP	$ 218,236	$ 160,759	$ 214,848	$ 158,846	$ 210,127	$ 150,877
Revenues	$ 308,421		$ 306,289		$ 305,777	
Non-GAAP operating margin	70.8%		70.1%		68.7%	
Diluted shares		118,569		119,361		122,261
Diluted EPS, non-GAAP		$ 1.36		$ 1.33		$ 1.23

The following table presents the classification of stock-based compensation:

	Three Months Ended		
	September 30, 2019	June 30, 2019	September 30, 2018
Cost of revenues	$ 1,725	$ 1,741	$ 1,755
Sales and marketing	864	1,019	1,451
Research and development	1,513	1,642	1,623
General and administrative	8,518	8,753	10,301
Total stock-based compensation expense	$ 12,620	$ 13,155	$ 15,130

Reconciliation of Non-GAAP Financial Guidance and Free Cash Flow Calculation

Reconciliation of Financial Guidance on slide 7.

Full year 2019 non-GAAP operating margin guidance:
69.5% to 70.0%

	Low	High
GAAP operating margin	65.4%	65.9%
Stock-based compensation	4.1%	4.1%
Non-GAAP operating margin	69.5%	70.0%

Reconciliation of Operating Cash Flow to Free Cash Flow [1][2]

($ Millions)	FY17	Q118	Q218	Q318	Q418	FY18	Q119	Q219	Q319
Cash Flow from Operating Activities	**702.8**	**90.0**	**201.8**	**187.5**	**218.5**	**697.8**	**187.3**	**164.8**	**208.1**
Acquisition of Property and Equipment, Net	(49.5)	(7.7)	(11.0)	(10.9)	(7.4)	(37.0)	(9.1)	(11.1)	(11.3)
Total Free Cash Flow	**653.3**	**82.3**	**190.8**	**176.6**	**211.1**	**660.8**	**178.2**	**153.8**	**196.8**

1) Free Cash Flow is a non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures.
2) The sum of the amounts in the columns and rows may not match the total amounts shown due to rounding.

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