Verisign

Q1 2018 Earnings Conference Call

April 26, 2018

VERISIGN

Safe Harbor Disclosure

Statements in this announcement 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. These statements 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, whether the U.S. Department of Commerce will approve any exercise by us of our right to increase the price per .com domain name, under certain circumstances, the uncertainty of whether we will be able to demonstrate to the U.S. Department of Commerce that market conditions warrant removal of the pricing restrictions on .com domain names and the uncertainty of whether we will experience other negative changes to our pricing terms; the failure to renew key agreements on similar terms, or at all; 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; changes in internet practices and behavior and the adoption of substitute technologies; the success or failure of the evolution of our markets; the operational and other risks from the introduction of new gTLDs by ICANN and our provision of back-end registry services; 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; 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 Dec. 31, 2017, 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 announcement.

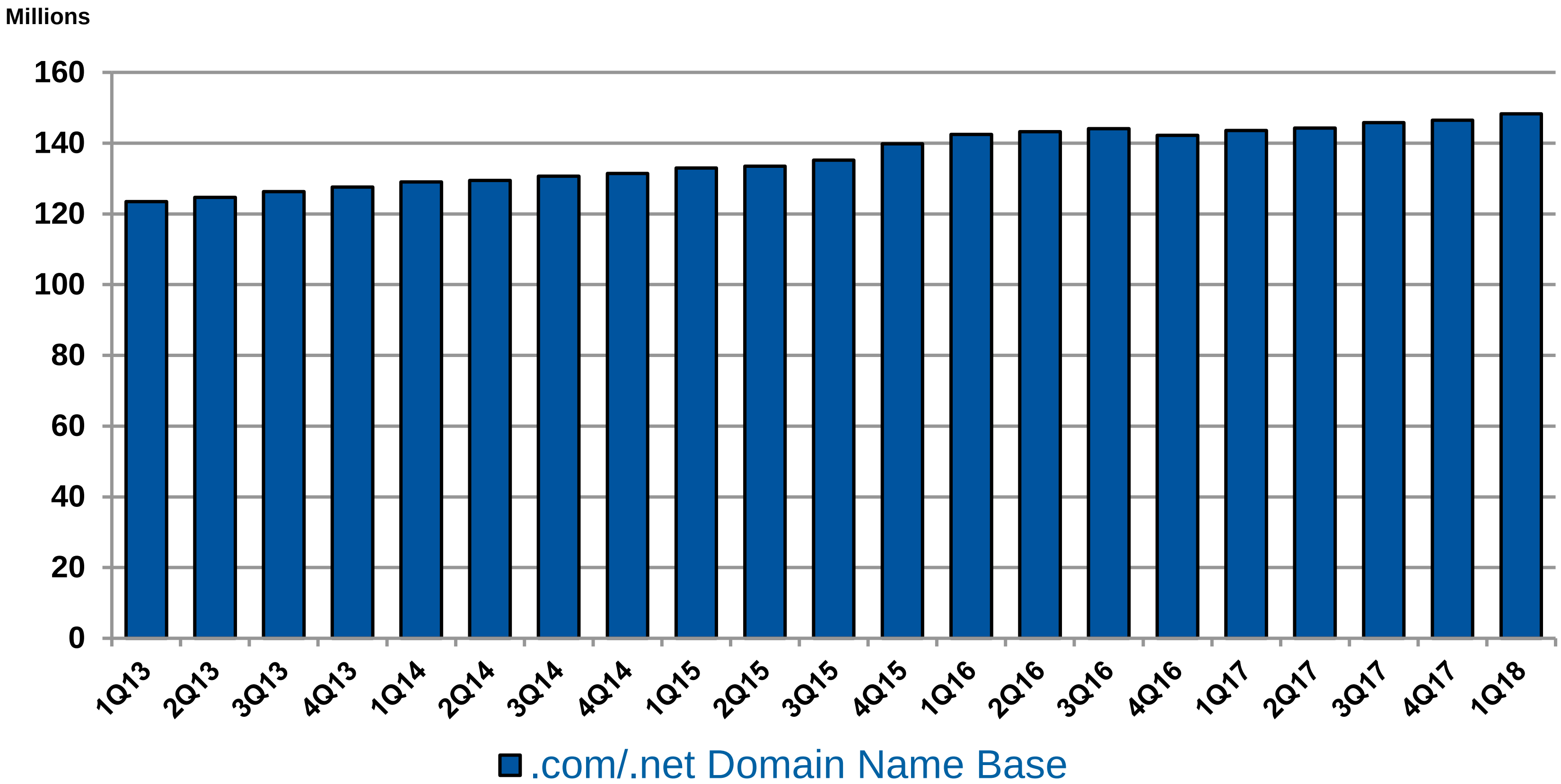
Agenda

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

Registry Services Highlights

Domain Name Base[1] at 148.3 Million Names, 3.2% Y/Y

133.9 Million .com Names and 14.4 Million .net Names



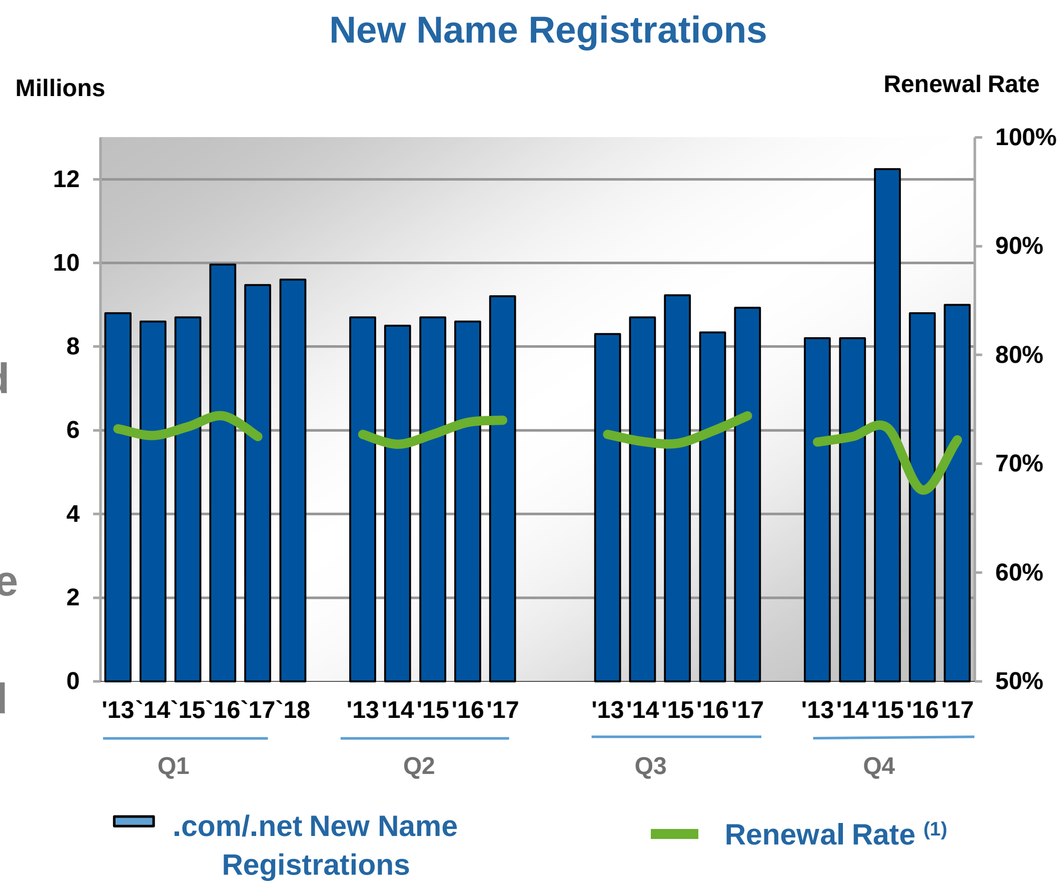
1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status. This data is not comparable to previous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

Registry Services Highlights

9.6 Million New Name Registrations in Q1 2018

Compared with 9.5 Million in Q1 2017

- Q4 2017 renewal rate 72.2%
  - Q1 2018 renewal rate expected to be approximately 74.9%[1][2] compared with 72.5% in Q1 2017
- Ending Q1 2018 Domain Name Base increased by 1.91M registrations from prior quarter end
- 31.4M registrations expiring in Q2 2018 vs. 30.1M in Q2 2017
- Ending Q2 2018 Domain Name Base expected to increase by between 0.7M to 1.2M registrations from end of Q1 2018[2]

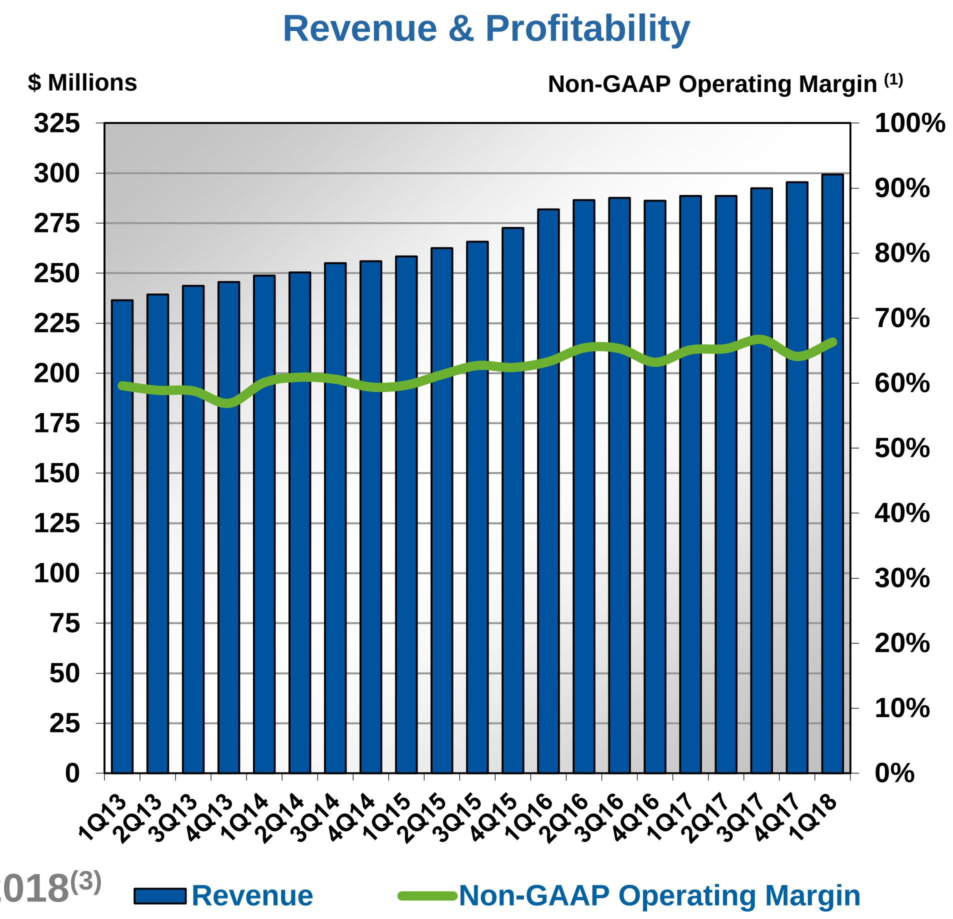


1) Renewal rates are not fully measurable until 45 days after the end of the quarter.

2) This guidance is based on historical seasonality and current market trends.

Q1 2018 Financial Performance

- Revenue of $299M, up 3.7% y/y
- GAAP operating margin of 62.0%
- GAAP diluted EPS of $1.09
- Non-GAAP operating margin of 66.3%[1]
- Non-GAAP diluted EPS of $1.07[1]
- Operating Cash Flow of $90M
- Free Cash Flow of $82M[2]
- 946 Full-Time Employees at March 31, 2018[3]



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 one intern.

Financial Guidance[1]

- **2018 Revenue**
  - $1.200 billion to $1.215 billion, narrowed from $1.195 billion to $1.215 billion
- **Full year 2018 Non-GAAP Operating Margin[2]**
  - 65.5% to 66.5%, unchanged
- **2018 Non-GAAP Interest Expense and Non-GAAP Non-Operating Income, net[3]**
  - $85 million to $92 million expense, decreased from $115 million to $122 million expense
- **2018 Capital Expenditures**
  - $45 million to $55 million expense, unchanged
- **2018 Cash Taxes**
  - $75 million to $95 million, changed from $70 million to $90 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 slide appendix.**

2) **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.**

3) **The most directly comparable GAAP measure to Non-GAAP Interest Expense is GAAP Interest Expense. Non-GAAP Interest Expense excludes non-cash interest expense, which is included in GAAP Interest Expense.**

Q&A
Appendix

Convertible Debentures Dilution Calculation

- Basic inputs (as of March 31, 2018)
  - $1.25 billion notional
  - 29.0968 shares per $1,000 is the current conversion ratio
  - 36.37 million shares issuable (based on conversion ratio)
  - $34.368 current conversion price
- Treasury stock method dilution calculation[1]

$$\frac{(\text{Average Share Price x Shares Issuable}) - \text{Notional}}{\text{Average Share Price}} = \text{Share Dilution}$$

- Q1 2018 calculation

$115.83 was the average share price during Q1 2018

$$\frac{(\$115.83 \text{ x } 36.37\text{M shares}) - \$1.25\text{B}}{\$115.83} = 25.6\text{M shares}$$

1) **Verisign uses the Treasury stock method to account for the dilutive effect of the convertible debentures.**

For more information see the quarterly convertible debenture dilution information posted at https://investor.verisign.com/events.cfm

Non-GAAP Financial Measures and Adjusted EBITDA

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 information in quarterly earnings releases, on investor conference calls and during investor conferences and related events. This non-GAAP financial information does not include the following types of financial measures that are included in GAAP: stock-based compensation, unrealized gain/loss on the contingent interest derivative on the subordinated convertible debentures, and non-cash interest expense. Non-GAAP net income is decreased by amounts accrued for contingent interest payable through August 15, 2017, related to the subordinated convertible debentures, and is adjusted for an income tax rate of 22 percent starting from the first quarter of 2018, 25 percent for the second through the fourth quarters of 2017, and 26 percent for the first quarter of 2017, all of which differ from the GAAP income tax rate.

On a quarterly basis, Verisign also provides Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure and is calculated in accordance with the terms of the indentures governing Verisign's senior notes. Adjusted EBITDA refers to net income before interest, taxes, depreciation and amortization, stock-based compensation, unrealized gain / loss on the contingent interest derivative on the subordinated convertible debentures and unrealized gain / loss on hedging agreements and gain on the sale of a business.

Management believes that this non-GAAP financial data supplements the GAAP financial data 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 this additional information is not meant to be considered in isolation nor as a substitute for results prepared in accordance with GAAP.

The tables appended to this release include a reconciliation of the non-GAAP financial information to the comparable financial information reported in accordance with GAAP for the given periods.

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.

Reconciliation of Non-GAAP Financial Measures

(In thousands, except per share data)
(Unaudited)

	Three Months Ended					
	March 31, 2018		December 31, 2017		March 31, 2017	
	Operating Income	Net Income	Operating Income	Net Income	Operating Income	Net Income
GAAP as reported	$ 185,419	$ 134,263	$ 176,432	$ 102,837	$ 175,271	$ 116,412
Adjustments:						
Stock-based compensation	12,978	12,978	12,864	12,864	12,563	12,563
Unrealized loss on contingent interest derivative on the subordinated convertible debentures		—		—		893
Non-cash interest expense		3,918		3,851		3,493
Contingent interest payable on subordinated convertible debentures		—		—		(3,808)
Tax adjustment		(19,081)		(480)		(10,642)
Non-GAAP	$ 198,397	$ 132,078	$ 189,296	$ 119,072	$ 187,834	$ 118,911
Revenues	$ 299,288		$ 295,501		$ 288,614	
Non-GAAP operating margin	66.3%		64.1%		65.1%	
Diluted shares		123,506		124,257		124,464
Diluted EPS, non-GAAP		$ 1.07		$ 0.96		$ 0.96

SUPPLEMENTAL FINANCIAL INFORMATION

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

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Cost of revenues	$ 1,609	$ 1,719	$ 1,735
Sales and marketing	1,448	1,433	1,429
Research and development	1,721	1,560	1,496
General and administrative	8,200	8,152	7,903
Total stock-based compensation expense	$ 12,978	$ 12,864	$ 12,563

Adjusted EBITDA Reconciliation

VERISIGN, INC.
RECONCILIATION OF NON-GAAP ADJUSTED EBITDA
(In thousands)
(Unaudited)

The following table reconciles GAAP net income to non-GAAP Adjusted EBITDA for the periods shown below:

	Three Months Ended March 31,		Four Quarters Ended March 31,
	2018	**2017**	**2018**
Net Income	$ 134,263	$ 116,412	$ 475,099
Interest expense	40,788	29,023	148,101
Income tax expense	18,172	31,137	128,799
Depreciation and amortization	12,117	13,102	48,893
Stock-based compensation	12,978	12,563	53,322
Unrealized loss on contingent interest derivative on the subordinated convertible debentures	—	893	—
Unrealized (gain) loss on hedging agreements	(117)	495	(355)
Gain on sale of business	—	—	(10,421)
Non-GAAP Adjusted EBITDA	$ 218,201	$ 203,625	$ 843,438

Free Cash Flow Calculation

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

($M)	FY15	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Cash Flow from Operating Activities	670.0	149.6	167.4	171.1	205.0	693.0	148.2	180.7	174.7	199.2	702.8	90.0
Acquisition of Property and Equipment, Net	(40.7)	(7.1)	(6.4)	(6.4)	(6.7)	(26.6)	(9.7)	(9.3)	(21.6)	(8.9)	(49.5)	(7.7)
Total Free Cash Flow	629.3	142.6	161.0	164.6	198.3	666.4	138.5	171.4	153.0	190.3	653.3	82.3

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.

Reconciliation of Non-GAAP Financial Guidance

(Reconciliation of Financial Guidance as given on slide 7 of April 2018 earnings presentation)

1) Full year 2018 non-GAAP operating margin guidance:
65.5% to 66.5%

	Low	High
GAAP operating margin	61.0%	62.0%
Stock-based compensation	4.5%	4.5%
Non-GAAP operating margin	65.5%	66.5%

2) Full year 2018 non-GAAP interest expense and non-GAAP non-operating income, net guidance:
$85 million to $92 million expense

	Low	High
	(in millions)	
GAAP interest expense **(i)**	$ 114.8	$ 114.8
GAAP non-operating income, net	(22.7)	(15.7)
Non-cash interest expense	(7.1)	(7.1)
Non-GAAP interest expense and non-operating income, net	$ 85.0	$ 92.0

(i) - This guidance reflects the previously announced redemption of the Subordinated Convertible Debentures to occur on May 1, 2018.

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