



**Q2 2021 Earnings
Conference Call**
July 22, 2021



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) Q2 2021 renewal rate expectations, (ii) Domain Name Base increase expectations, and (iii) our full year 2021 financial guidance for Revenue; Domain Name Base Growth; Operating Margin; 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; vulnerabilities in the global routing system; system interruptions or system failures; damage to our data centers; 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 foreign jurisdictions; economic, legal and political risks associated with our international operations; the impact of unfavorable tax rules and regulations; risks from the adoption of ICANN's consensus and temporary policies, technical standards and other processes; the uncertainty of the impact of changes to the multi-stakeholder model of internet governance; the outcome of claims, lawsuits, audits or investigations; the effects of the COVID-19 pandemic; 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 our 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, 2020, 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

Business Highlights

Financial Performance / Guidance

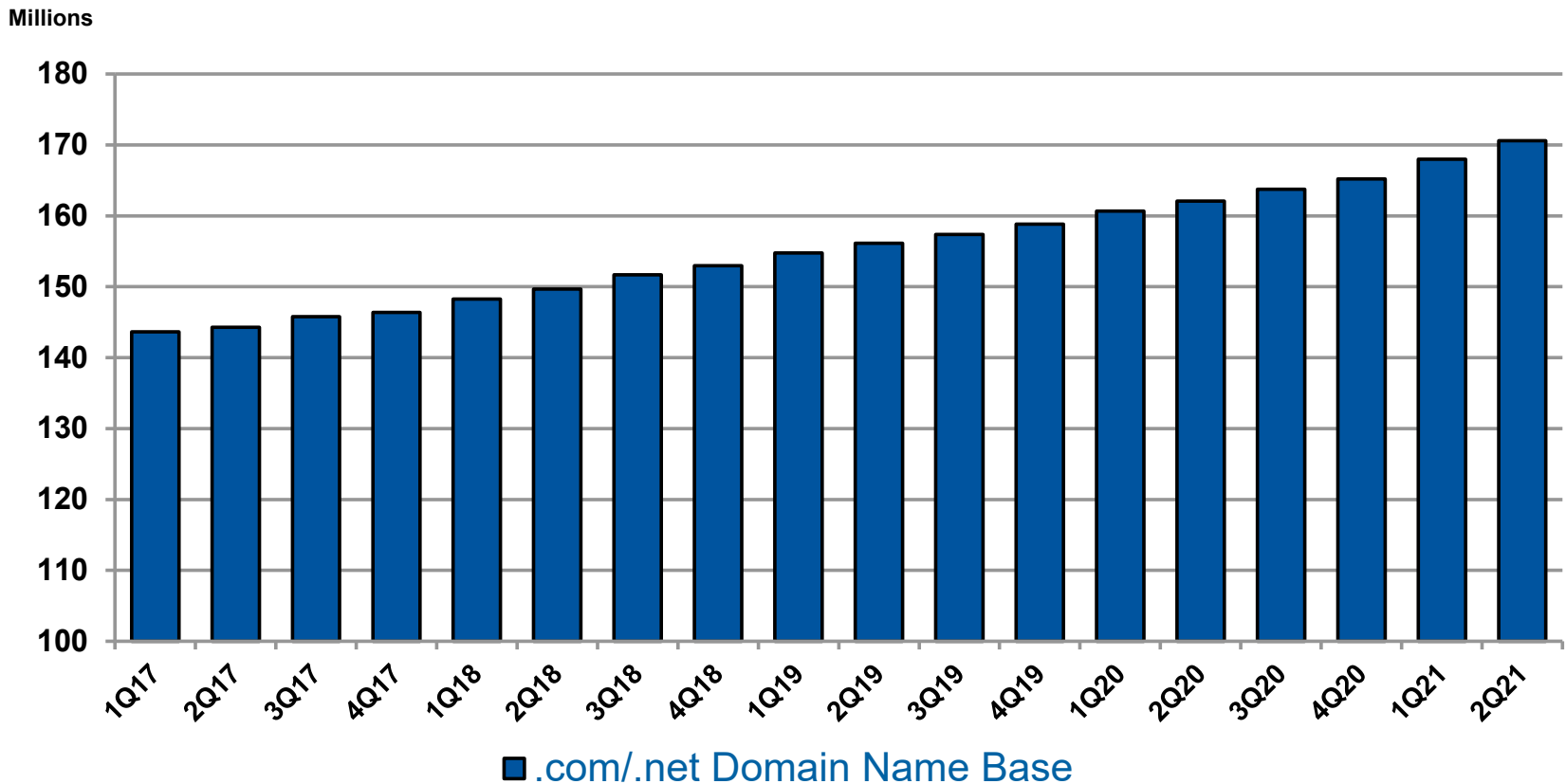
Closing / Q&A / Appendix

Introduction

- During the second quarter we saw continued demand for our domain names including year-over-year growth in new registrations from some of our foreign geographies
- We remain mission-focused
 - In July we marked 24 years of uninterrupted availability of the .com/.net DNS.
 - We continue to maintain, invest in, and evolve our critical internet infrastructure.
 - 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.
 - Our critical internet infrastructure enables us to reliably and accurately provide the critical DNS navigation service that people around the world rely on more than ever for commerce, education, healthcare and person-to-person connection.
- We continue to prioritize the safety of our people; most of our employees remain remote

Business Highlights

Domain Name Base⁽¹⁾ at 170.6 Million Names, up 5.2% Y/Y
157.0 Million .com Names and 13.6 Million .net Names



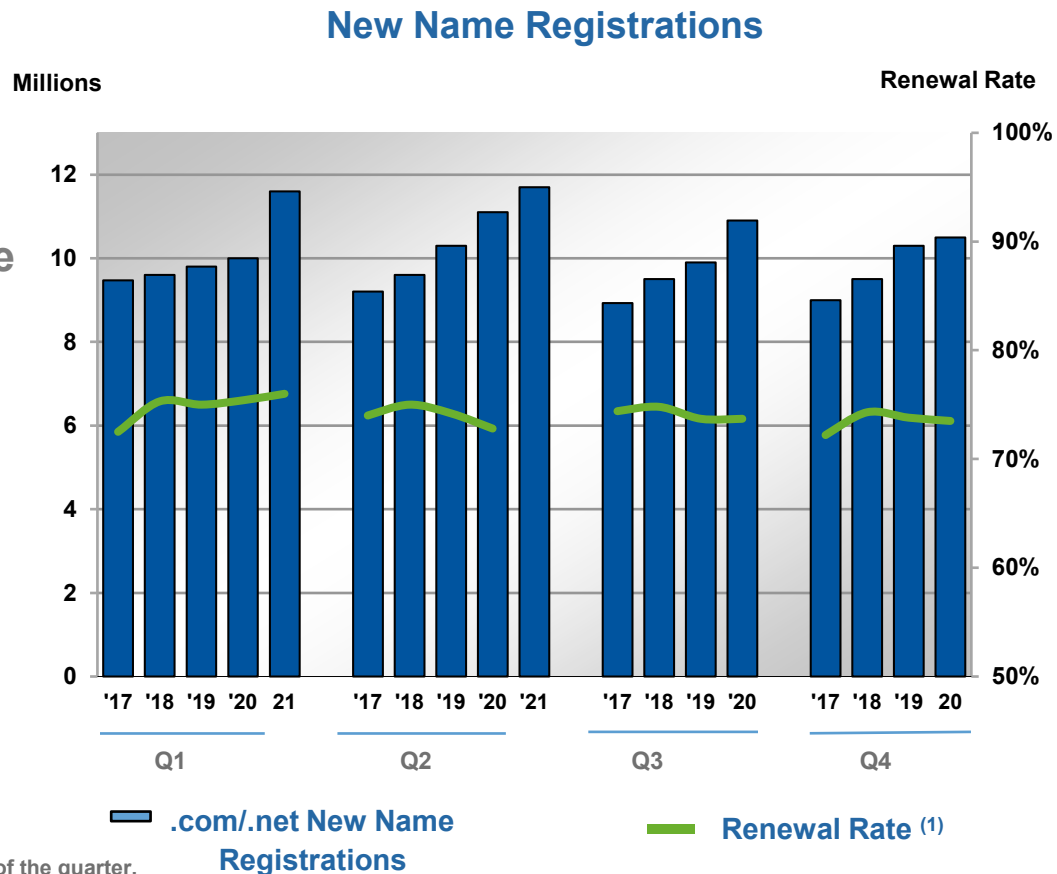
1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status.

Business Highlights

11.7 Million New Name Registrations in Q2 2021

Compared with 11.1 Million in Q2 2020

- Q1 2021 renewal rate 76.0%
 - Q2 2021 renewal rate expected to be approximately 75.3%⁽¹⁾⁽²⁾ compared with 72.8% in Q2 2020
- Ending Q2 2021 Domain Name Base increased by 2.59M registrations from prior quarter end
- 35.9M registrations expiring in Q3 2021 vs. 34.2M in Q3 2020
- Domain Name Base expected to increase by between 4.7% to 6.0% from end of 2020 to end of 2021⁽²⁾⁽³⁾



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

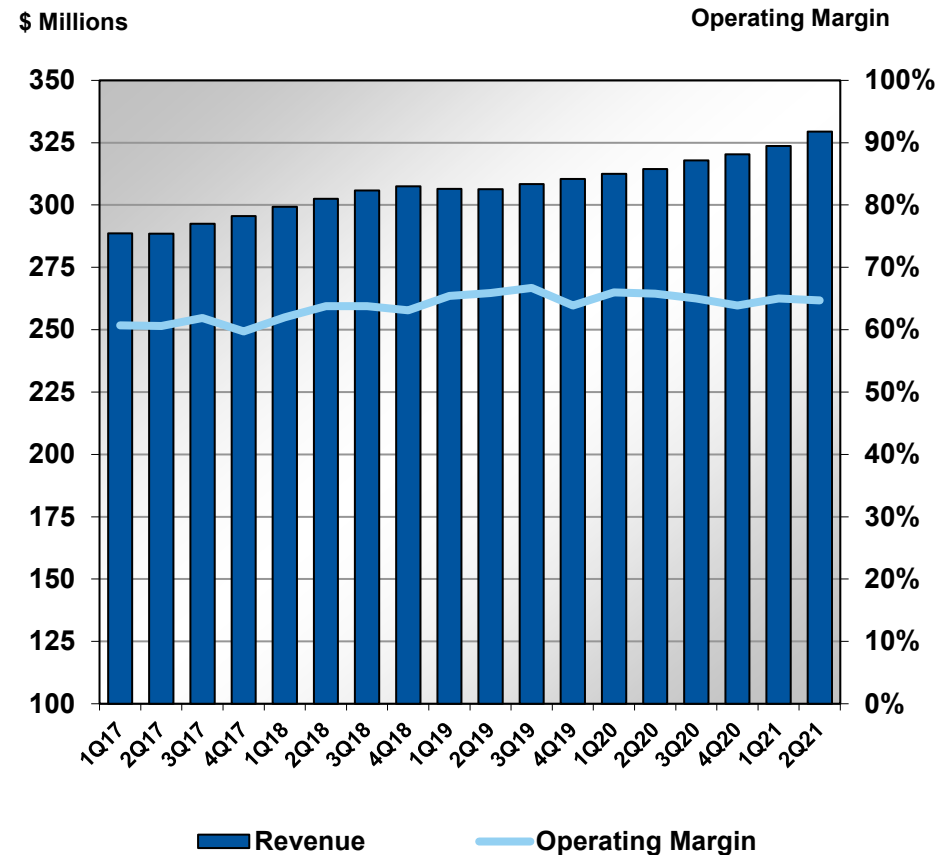
2) This guidance is based on historical and current market trends.

3) 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.

Q2 2021 Financial Performance

Revenue & Profitability

- Revenue of \$329M, up 4.8% y/y
- Operating margin of 64.7%
- Diluted EPS of \$1.31
- Operating Cash Flow of \$143M
- Free Cash Flow of \$125M⁽¹⁾
- 908 Full-Time Employees at June 30, 2021⁽²⁾



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) Excludes interns.

Full Year 2021 Financial Guidance⁽¹⁾⁽²⁾

- **Revenue**
 - \$1.322 billion to \$1.331 billion; increased and narrowed from \$1.315 billion to \$1.330 billion
- **Domain Name Base Growth**
 - 4.7% to 6.0%; increased and narrowed from 4.0% to 5.5%
- **Operating Margin**
 - 64.25% to 65.0%; narrowed from 64.0% to 65.0%
- **Interest Expense and Non-Operating Income, net**
 - \$83 million to \$87 million expense; lowered from \$88 million to \$92 million
- **Capital Expenditures**
 - \$55 million to \$65 million; unchanged
- **Effective Tax Rate**
 - 20% to 23%; unchanged

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.

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, unrealized gain / loss on hedging agreements, loss on debt extinguishment, and gain on sale of business.

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)

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

	Four Quarters Ended June 30, 2021
Net Income	\$ 626.4
Interest expense	90.7
Income tax expense	117.6
Depreciation and amortization	47.1
Stock-based compensation	51.4
Unrealized gain on hedging agreements	(0.1)
Loss on extinguishment of debt	2.1
Gain on sale of business	(0.8)
Non-GAAP Adjusted EBITDA	<u>\$ 934.4</u>

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

(\$ Millions)

	FY'19	Q1'20	Q2'20	Q3'20	Q4'20	FY'20	Q1'21	Q2'21
Cash Flow from Operating Activities	\$ 753.9	\$ 180.1	\$ 215.3	\$ 139.6	\$ 195.2	\$ 730.2	\$ 198.3	\$ 142.5
Acquisition of property and equipment, net	(40.3)	(11.0)	(10.9)	(15.0)	(6.5)	(43.4)	(6.7)	(17.5)
Total Free Cash Flow	<u>\$ 713.6</u>	<u>\$ 169.0</u>	<u>\$ 204.4</u>	<u>\$ 124.5</u>	<u>\$ 188.8</u>	<u>\$ 686.8</u>	<u>\$ 191.6</u>	<u>\$ 125.0</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		
	June 30, 2021	March 31, 2021	June 30, 2020
Cost of revenues	\$ 1.7	\$ 1.6	\$ 1.6
Sales and marketing	1.1	0.9	0.8
Research and development	2.0	2.0	1.8
General and administrative	8.8	8.5	7.8
Total stock-based compensation expense	<u>\$ 13.6</u>	<u>\$ 13.0</u>	<u>\$ 12.0</u>

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