VERISIGN

Q3 2020 Earnings Conference Call

October 22, 2020

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 2020 renewal rate expectations, (ii) Domain Name Base increase expectations, and (iii) our full year 2020 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, the effects of the COVID-19 pandemic; risks arising from the agreements governing our 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, 2019, 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

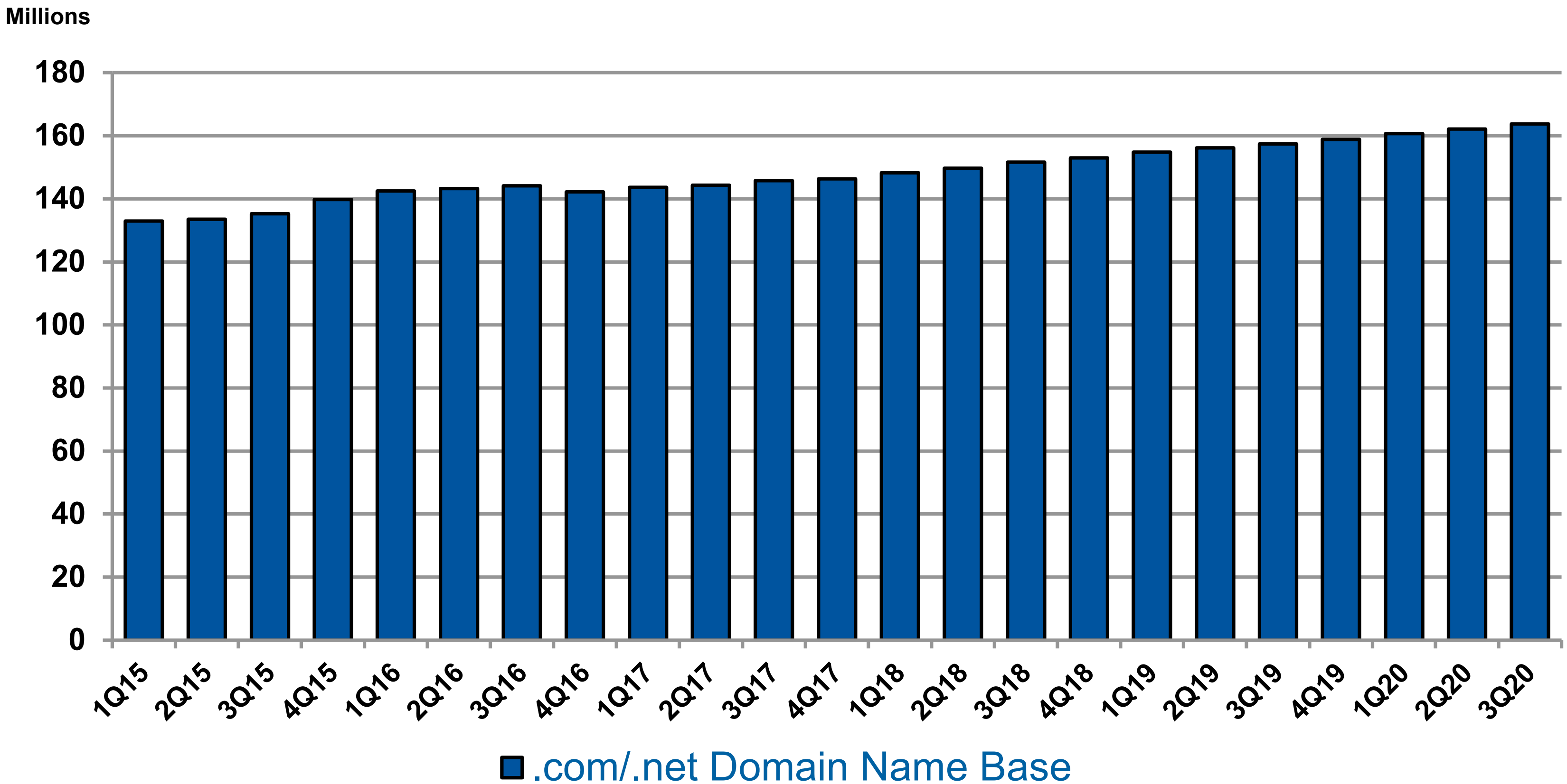
Introduction

- COVID-19 has accelerated the transition to online services
  - Increased reliance on our critical infrastructure for commerce, education, healthcare and person-to-person connection.
- We remain mission-focused
  - Verisign enables the world to connect online with reliability and confidence, anytime, anywhere.
  - 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.
  - For more than 23 years, Verisign has maintained 100 percent operational accuracy and stability of the .com and .net DNS infrastructure.
- Even as we continue to operate remotely
  - We have proven, over seven months and counting of remote working, that we can maintain our high operational standards and absolute mission-focus while most employees work remotely.

Business Highlights

Domain Name Base[(1)] at 163.7 Million Names, up 4.0% Y/Y

150.3 Million .com Names and 13.4 Million .net Names



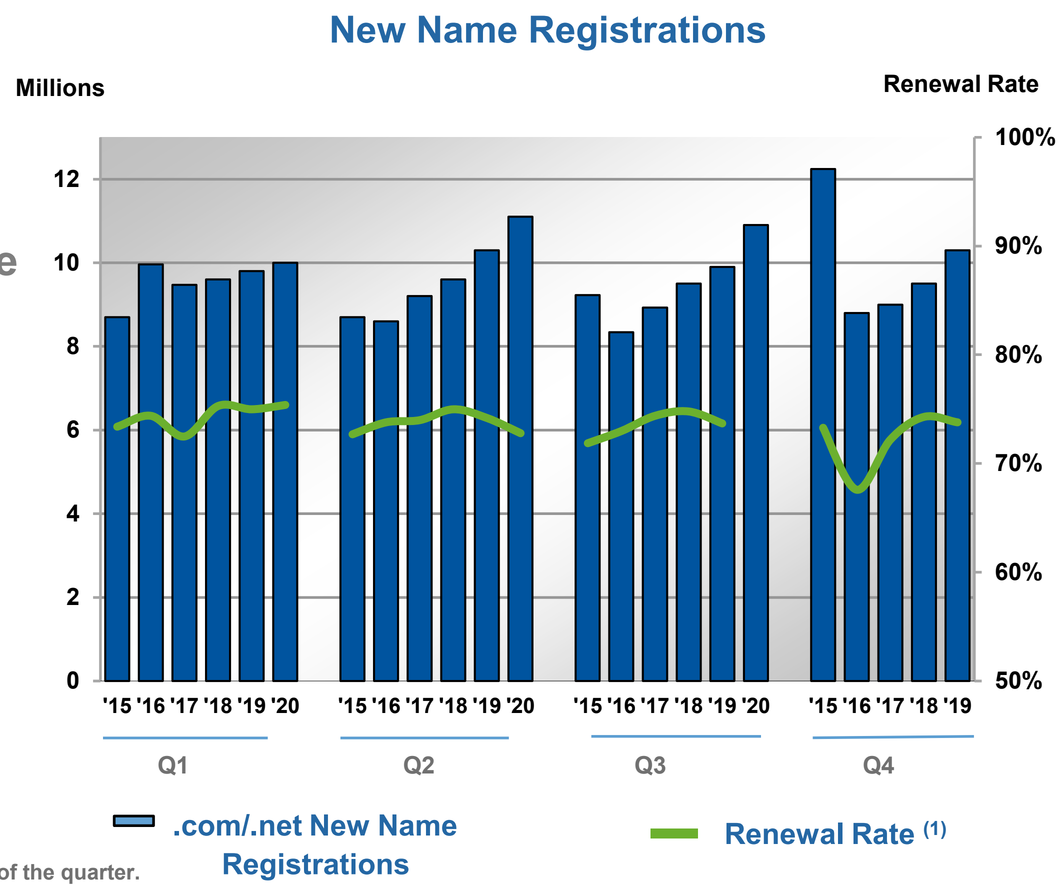
1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status.

Business Highlights

10.9 Million New Name Registrations in Q3 2020

Compared with 9.9 Million in Q3 2019

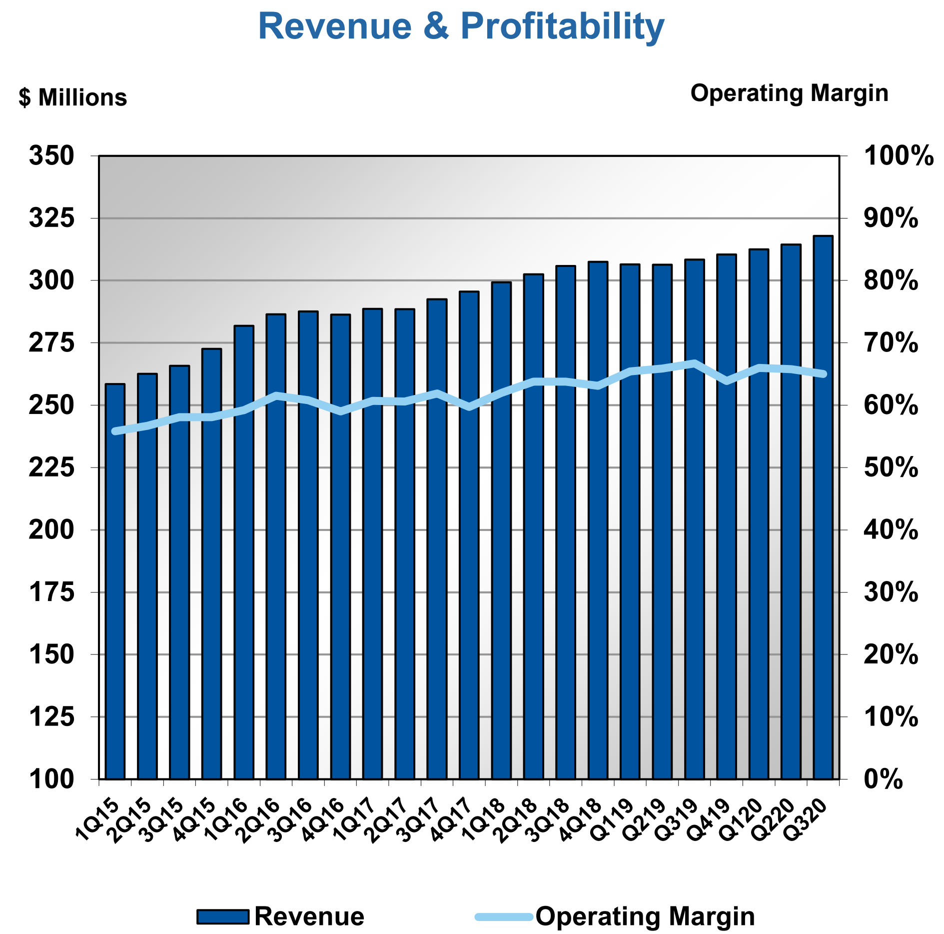
- **Q2 2020 renewal rate 72.8%**
  - **Q3 2020 renewal rate expected to be approximately 73.4%[(1)(2)] compared with 73.7% in Q3 2019**
- **Ending Q3 2020 Domain Name Base increased by 1.65M registrations from prior quarter end**
- **34.8M registrations expiring in Q4 2020 vs. 32.7M in Q4 2019**
- **Domain Name Base expected to increase by between 3.5% to 4.0% from end of 2019 to end of 2020[(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 2020 Financial Performance

- Revenue of $318M, up 3.1% y/y
- Operating margin of 65.0%
- Diluted EPS of $1.49(1)
- Operating Cash Flow of $140M
- Free Cash Flow of $125M(2)
- 908 Full-Time Employees at Sept. 30, 2020(3)



1) Net income for the third quarter of 2020 included the recognition of $24 million of previously unrecognized income tax benefits. This resulted from remeasurement of Verisign's accrual for uncertain tax positions based on IRS written confirmation indicating no examination adjustment would be proposed related to certain matters reviewed as part of its audit of federal income tax returns for 2010 through 2014. Notwithstanding this written confirmation, Verisign's U.S. federal income tax returns for those years remain under examination by the IRS. This income tax benefit increased diluted EPS by $0.21.

2) 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.

3) Excludes interns.

Full Year 2020 Financial Guidance[1][2]

- **Revenue**
  - $1.262 billion to $1.267 billion; increased and narrowed from $1.255 billion to $1.265 billion
- **Domain Name Base Growth**
  - 3.5% to 4.0%; narrowed from 2.75% to 4.0%
- **Operating Margin**
  - 64.75% to 65.25%; narrowed from 64.5% to 65.5%
- **Interest Expense and Non-Operating Income, net**
  - $75 million to $80 million expense; unchanged
- **Capital Expenditures**
  - $45 million to $50 million expense; narrowed from $45 million to $55 million
- **Effective Tax Rate**
  - Net benefit of between 6% and 9% for full year 2020; increased from 2% to 5%

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 a 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 senior notes. Adjusted EBITDA refers to net income before interest, taxes, depreciation and amortization, stock-based compensation, unrealized gain / loss on hedging agreements, 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)

	Four Quarters Ended September 30, 2020
Net Income	$ 805.9
Interest expense	90.3
Income tax benefit	(53.6)
Depreciation and amortization	46.5
Stock-based compensation	48.5
Unrealized gain on hedging agreements	(0.1)
Gain on sale of business	(5.6)
Non-GAAP Adjusted EBITDA	$ 931.9

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

($ Millions)	FY'18	Q1'19	Q2'19	Q3'19	Q4'19	FY'19	Q1'20	Q2'20	Q3'20
Cash Flow from Operating Activities	$ 697.8	$ 187.3	$ 164.8	$ 208.1	$ 193.6	$ 753.9	$ 180.1	$ 215.3	$ 139.6
Acquisition of property and equipment, net	(37.0)	(9.1)	(11.1)	(11.3)	(8.8)	(40.3)	(11.0)	(10.9)	(15.0)
Total Free Cash Flow	$ 660.8	$ 178.2	$ 153.8	$ 196.8	$ 184.8	$ 713.6	$ 169.0	$ 204.4	$ 124.5

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		
	September 30, 2020	June 30, 2020	September 30, 2019
Cost of revenues	$ 1.6	$ 1.6	$ 1.7
Sales and marketing	0.8	0.8	0.9
Research and development	1.8	1.8	1.5
General and administrative	8.5	7.8	8.5
Total stock-based compensation expense	$ 12.7	$ 12.0	$ 12.6

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