



**Verisign**  
**Q4 & Full Year 2021 Earnings**  
Conference Call  
**February 10, 2022**



# 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 2021 renewal rate expectations, (ii) Domain Name Base increase expectations, and (iii) our full year 2022 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

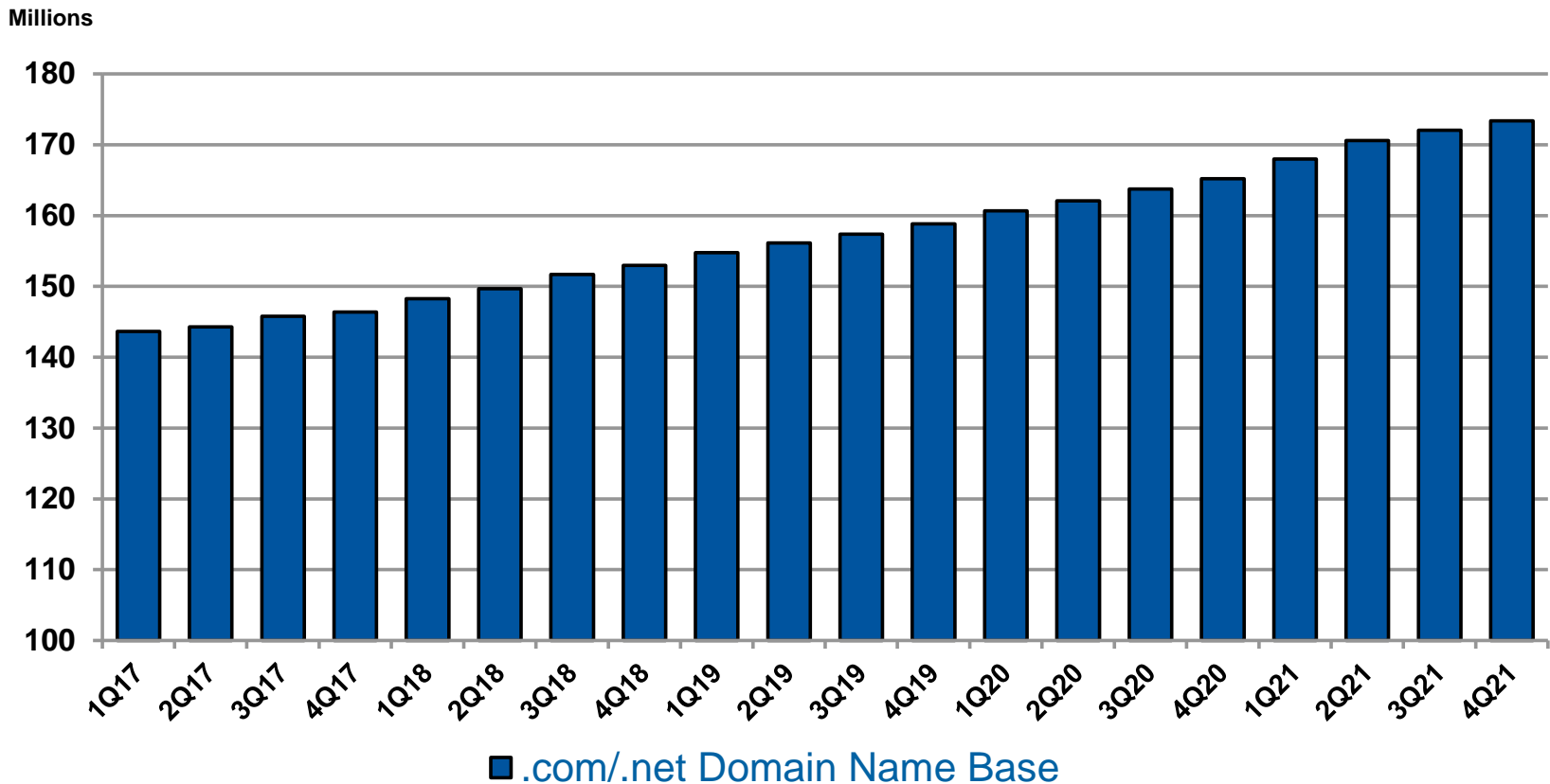
Closing / Q&A / Appendix

# Introduction

- **We remain mission-focused**
  - We continue to enhance 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 and the expertise of our teams 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 remain committed to making a positive and lasting impact on the global internet community and the communities in which we live and work**

# Business Highlights

*Domain Name Base<sup>(1)</sup> at 173.4 Million Names, up 5.0% Y/Y*  
*160.0 Million .com Names and 13.4 Million .net Names*



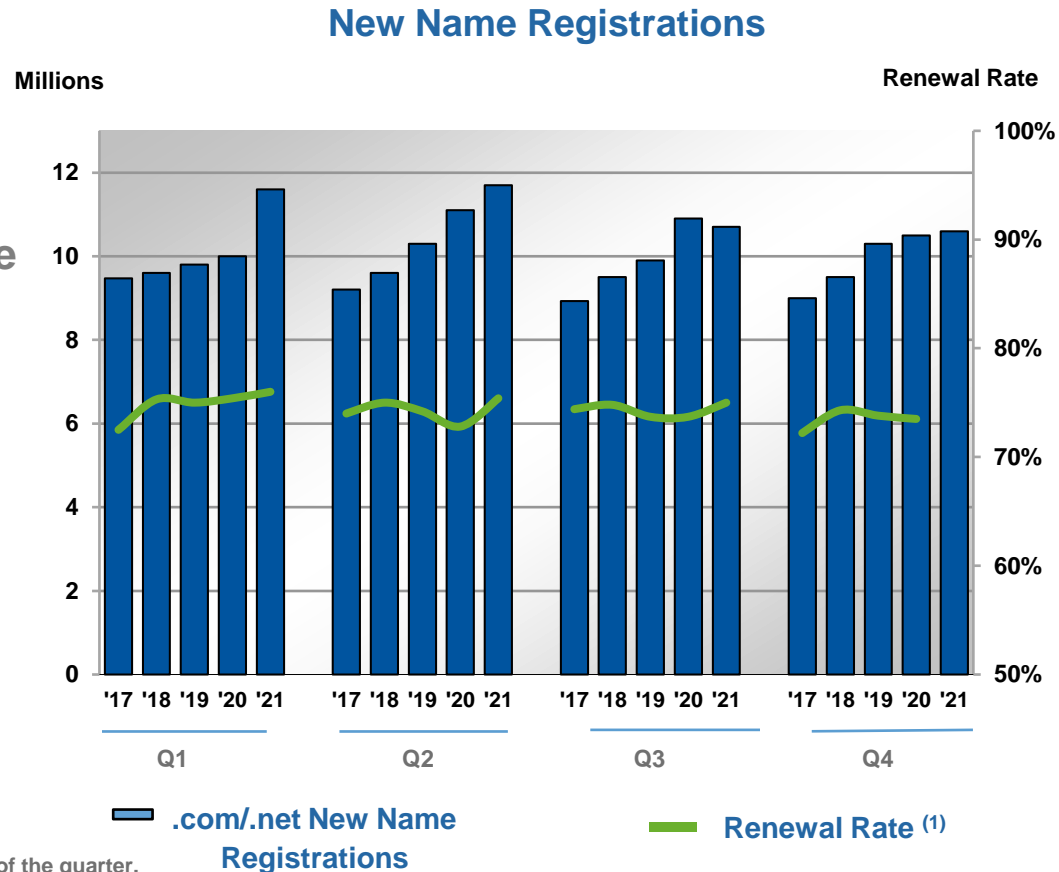
1) The domain name base as presented here is the active zone plus the number of domain names that are registered but not configured for use in the respective Top-Level Domain zone file plus the number of domain names that are in a client or server hold status.

# Business Highlights

## 10.6 Million New Name Registrations in Q4 2021

Compared with 10.5 Million in Q4 2020

- Q3 2021 renewal rate 75.0%
  - Q4 2021 renewal rate expected to be approximately 74.8%<sup>(1)(2)</sup> compared with 73.5% in Q4 2020
- Ending Q4 2021 Domain Name Base increased by 1.37M registrations from prior quarter end
- 39.7M registrations expiring in Q1 2022 vs. 37.3M in Q1 2021
- Domain Name Base expected to increase by between 2.5% to 4.5% from end of 2021 to end of 2022<sup>(2)(3)</sup>



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

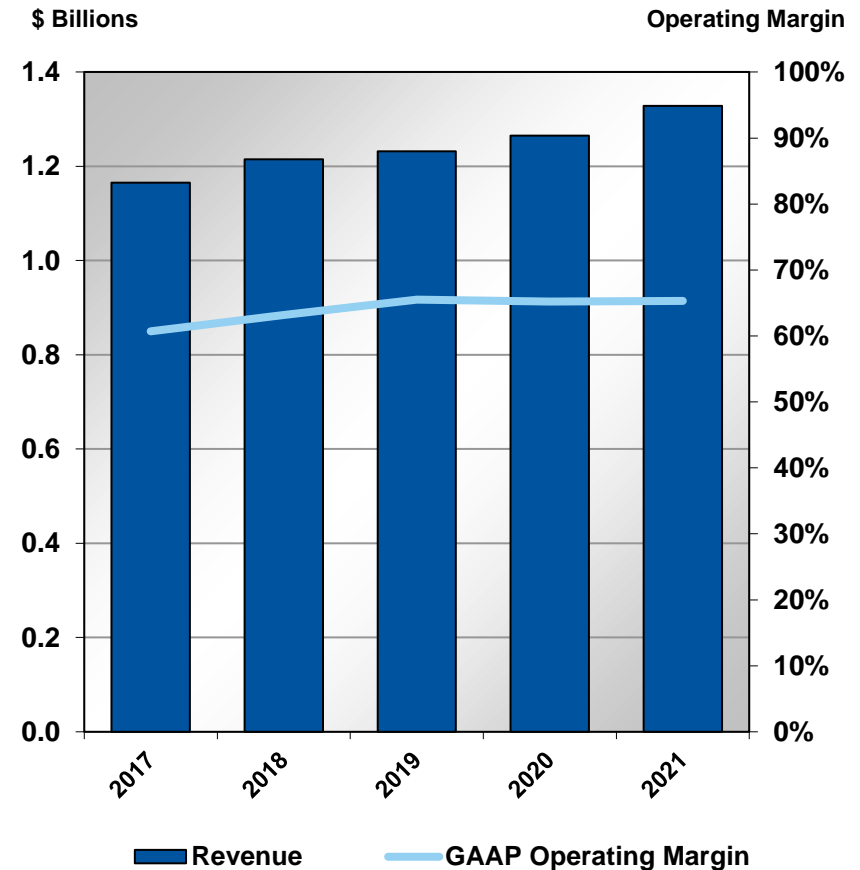
2) This guidance is based on historical and current market trends.

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.

# 2021 Full Year Financial Performance

- Revenue of \$1.33B, up 4.9% y/y
- Operating Income of \$867M, up 5.2% y/y
- Operating Margin of 65.3%
- Free Cash Flow of \$754M<sup>(1)</sup>
  - CapEx of \$53M
- Total cash, cash equivalents, and marketable securities of \$1.21B as of Dec. 31, 2021

## Revenue & Profitability

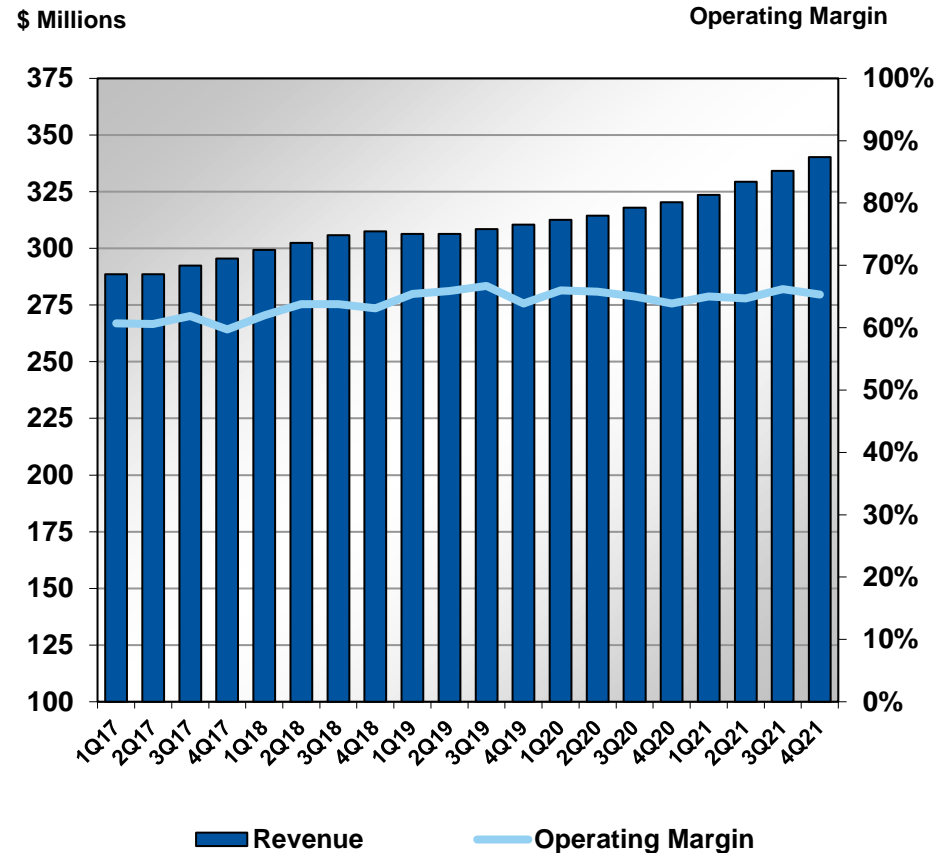


1) Free cash flow is non-GAAP financial measure defined as cash flow from operating activities, less capital expenditures. Please see Free Cash Flow Calculation in slide appendix for more detail.

# Q4 2021 Financial Performance

## Revenue & Profitability

- Revenue of \$340M, up 6.3% y/y
- Operating margin of 65.3%
- Diluted EPS of \$2.97<sup>(1)</sup>
- Operating Cash Flow of \$206M
- Free Cash Flow of \$193M<sup>(2)</sup>
- 904 Full-Time Employees at Dec. 31, 2021<sup>(3)</sup>



- 1) Net income for the fourth quarter of 2021 included recognition of a deferred income tax benefit related to the transfer of certain non-US intellectual property between subsidiaries which increased net income by \$165.5 million and increased diluted EPS by \$1.49.
- 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 2022 Financial Guidance<sup>(1)(2)</sup>

- **Revenue**
  - \$1.42 billion to \$1.44 billion
- **Domain Name Base Growth**
  - 2.5% to 4.5%
- **Operating Margin**
  - 64.5% to 65.5%
- **Interest Expense and Non-Operating Income, net**
  - \$70 million to \$75 million expense
- **Capital Expenditures**
  - \$40 million to \$50 million
- **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.

# 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 and loss on debt extinguishment.

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:<sup>(1)</sup>

(In millions)

	Year Ended December 31, 2021
<b>Net Income</b>	\$ 784.8
Interest expense	83.3
Income tax benefit	(2.6)
Depreciation and amortization	47.9
Stock-based compensation	53.4
Unrealized gain on hedging agreements	(0.1)
Loss on extinguishment of debt	2.1
<b>Non-GAAP Adjusted EBITDA</b>	<u>\$ 968.9</u>

## Reconciliation of Operating Cash Flow to Free Cash Flow:<sup>(1)</sup>

(\$ Millions)	FY'19	Q1'20	Q2'20	Q3'20	Q4'20	FY'20	Q1'21	Q2'21	Q3'21	Q4'21	FY'21
<b>Cash Flow from Operating Activities</b>	\$ 753.9	\$ 180.1	\$ 215.3	\$ 139.6	\$ 195.2	\$ 730.2	\$ 198.3	\$ 142.5	\$ 260.1	\$ 206.2	\$ 807.2
Acquisition of property and equipment, net	(40.3)	(11.0)	(10.9)	(15.0)	(6.5)	(43.4)	(6.7)	(17.5)	(15.3)	(13.5)	(53.0)
<b>Total Free Cash Flow</b>	<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>	<u>\$ 244.8</u>	<u>\$ 192.7</u>	<u>\$ 754.1</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, 2021	September 30, 2021	December 31, 2020
Cost of revenues	\$ 1.6	\$ 1.6	\$ 1.5
Sales and marketing	1.1	1.2	0.9
Research and development	2.2	2.2	1.9
General and administrative	7.5	9.4	7.8
Total stock-based compensation expense	<u>\$ 12.4</u>	<u>\$ 14.4</u>	<u>\$ 12.1</u>

	Year Ended December 31,	
	2021	2020
Cost of revenues	\$ 6.5	\$ 6.3
Sales and marketing	4.3	3.5
Research and development	8.3	7.1
General and administrative	34.3	31.3
Total stock-based compensation expense	<u>\$ 53.4</u>	<u>\$ 48.2</u>

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