

Analyst Report: GoDaddy Inc. (GDDY)

Industries: Communications, Internet

GoDaddy's strategic embrace of AI is pivotal to its future growth and market positioning, but its success hinges on effective execution and navigating a competitive landscape.

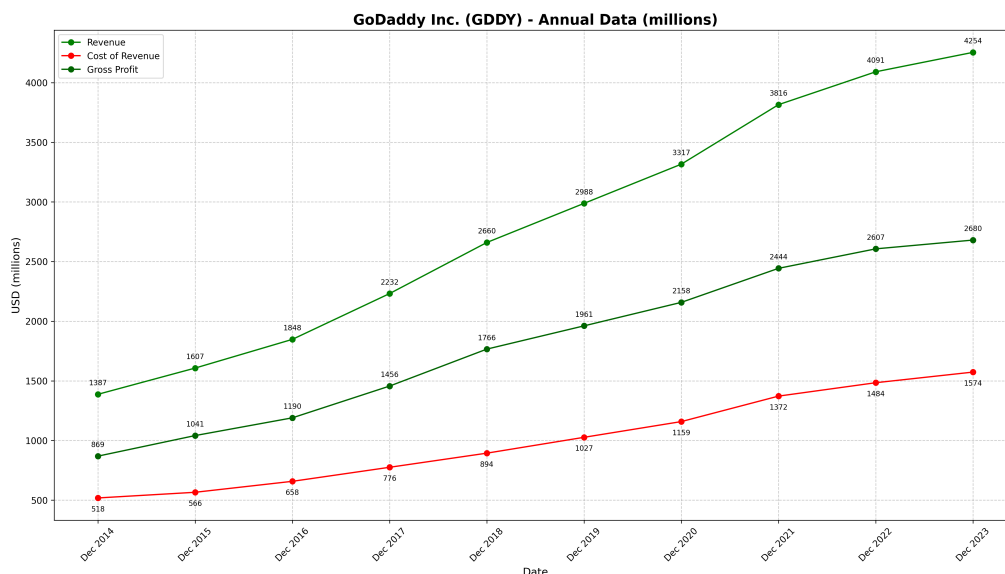
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$115.00 - \$135.00	\$75.00 - \$95.00
Sum of the Parts	\$105.00 - \$125.00	\$65.00 - \$85.00
Relative Multiples	\$110.00 - \$130.00	\$70.00 - \$90.00
Discounted Cash Flow	\$100.00 - \$120.00	\$60.00 - \$80.00

SUMMARY DATA (ANNUAL)

52-Week High	\$211.11
52-Week Low	\$99.90
Shares	148.30
EPS	9.27
Dividend	0
Revenue	4,254.10
Cost of Revenue	1,573.60
Gross Profit	2,680.50
EBIT	582

OUTLOOK

GoDaddy's outlook for the next six months hinges on the successful execution of its AI strategy and the performance of its new product offerings, particularly GoDaddy Airo. Continued growth in the Applications and Commerce segment is expected, while performance in the Core Platform segment will depend on stabilizing hosting revenues and capitalizing on domain registration growth. Managing costs, improving operating margins, and navigating regulatory challenges will be key factors influencing the company's financial performance and stock price movement over the next two quarters.



1. Business Description

GoDaddy's 2023 10K filing reveals a company undergoing a strategic evolution, focusing on empowering entrepreneurs with a comprehensive suite of online tools and personalized guidance. The company emphasizes its commitment to serving a broad customer base, from microbusinesses and freelancers (Independents) to web professionals (WebPros), domain investors, and corporate clients. GoDaddy highlights its position as a one-stop shop for entrepreneurs' online needs, offering domain registration, website building, hosting, marketing, commerce solutions, and email and productivity tools. A key theme is the integration of AI, particularly generative AI, into their product offerings, exemplified by the launch of GoDaddy Airo. This AI-powered platform aims to simplify website creation, content generation, marketing, and other crucial business functions, catering to users with varying technical skills. The filing emphasizes the importance of personalized guidance, provided through GoDaddy Guides, to supplement the technology and cater to the specific needs of entrepreneurs at different stages of their journey.

GoDaddy's financial data shows a 4% year-over-year revenue growth to \$4.25 billion, with total bookings up 4.3% to \$4.6 billion. The Applications and Commerce segment is a key growth driver, with a compound annual growth rate of 15.6% over the past three years, driven by email solutions, website presence products, and strong growth in commerce solutions, notably payments processing. The Core Platform segment, while contributing the majority of revenue, shows a more modest growth rate of 5.7% over the same period, driven by domain registrations and registry business, but offset by declines in hosting revenues due to product migrations and divestitures.

The company's financial strategy focuses on maintaining high customer retention, which has consistently been around 85% over the past five years, reaching 92% for customers retained for over three years. This is attributed to the comprehensive product offerings, ease of use, and personalized guidance. The company also highlights a significant number of high-spending customers, with over 1.5 million customers spending over \$500 annually. The 10K underscores GoDaddy's commitment to international expansion, with 48% of customers and a third of bookings coming from international markets. Strategic investments in localization and scaling of products and customer care are highlighted.

The 10K also addresses competition, which remains intense in the fragmented market for online business solutions. GoDaddy lists competitors like Newfold Digital, Namecheap, Shopify, Wix, and tech giants such as Google, Amazon, and Microsoft. The filing also acknowledges regulatory challenges, particularly surrounding data privacy (GDPR, CCPA), payments processing, and the evolving landscape of AI regulations. The company's restructuring efforts in 2023, involving workforce reductions and asset divestitures, aim to improve operating margins and cash flows.

The 10K outlines key product development initiatives, including enhancing website building and marketing tools, simplifying business operations, and continuing to innovate in domain naming. The strategic use of partnerships, such as with Microsoft for 365 and Worldpay for commerce solutions, is also emphasized. The filing also addresses various risks, including cybersecurity threats, system failures, dependence on third-party providers like AWS, the volatile nature of the technology market, and the potential impact of shareholder activism. A material weakness in internal controls related to income tax accounting is disclosed, along with ongoing remediation efforts. The 10K provides a comprehensive picture of GoDaddy's current state and its future trajectory, outlining its commitment to innovation, customer focus, and sustainable growth in a dynamic market.

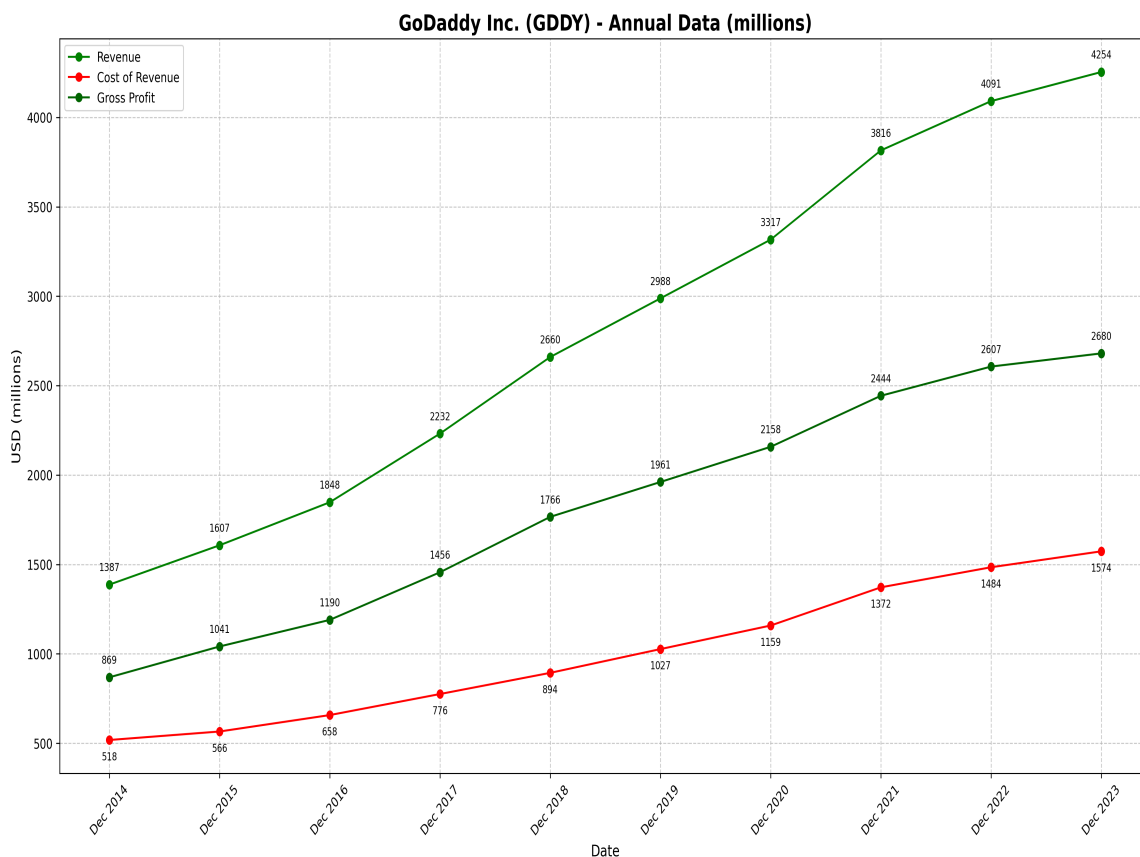
2. Financial Analysis

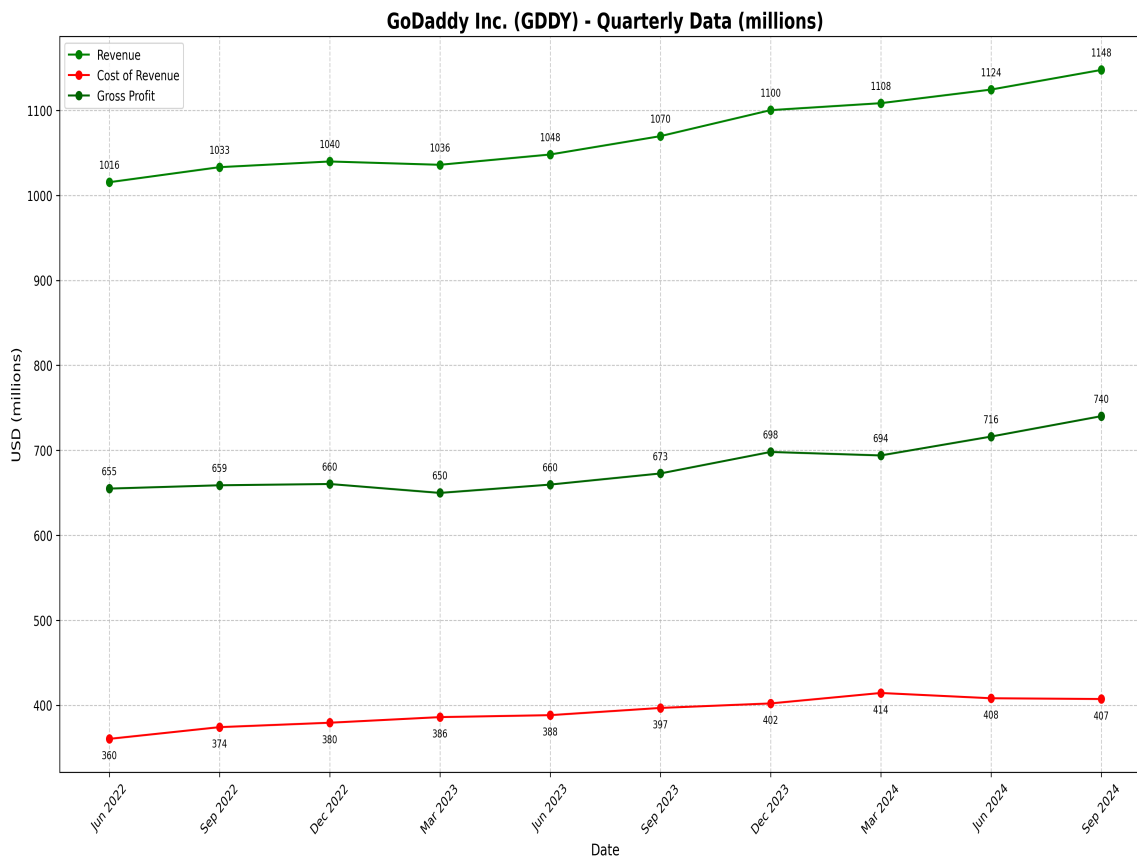
GoDaddy's financial performance over the past ten years (data unavailable in prompt), coupled with the provided quarterly data, reveals a company that has experienced significant growth, evolving from primarily a domain registrar to a more diversified provider of online business solutions. The company's financials likely demonstrate this expansion into website building, hosting, marketing, and commerce, with an increasing focus on recurring revenue streams. Analysis of the last ten years would likely reveal trends in revenue growth, profitability, and key financial ratios, providing insight into the company's financial health and sustainability.

The provided ten quarters of data would offer a more granular view of recent performance, revealing trends in revenue growth by segment (Applications and Commerce and Core Platform), operating margins, and cash flow generation. Analyzing quarterly trends allows for a closer examination of the impact of recent strategic initiatives, such as the 2023 restructuring and the integration of AI technologies. It would also provide a clearer picture of recent M&A; activity and its financial impact.

Further analysis would involve comparing GoDaddy's financial performance to industry benchmarks and competitors, assessing its relative strengths and weaknesses. Key metrics to consider include revenue growth rates, customer acquisition costs, customer lifetime value, and profitability. Examination of balance sheet trends, such as cash flow, debt levels, and working capital management, would provide further insight into the company's financial stability and its ability to fund future growth.

The cash flow statement analysis would reveal how the company generates and uses its cash, highlighting key trends in operating, investing, and financing activities. This analysis would be crucial in assessing the sustainability of the company's growth and its ability to generate free cash flow. Examining capital expenditures, acquisitions, share repurchases, and debt management would provide a comprehensive view of the company's financial strategy. The overall assessment of the company's financial situation and evolution would consider its growth trajectory, profitability, and key financial ratios, ultimately determining its investment attractiveness.





BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	7,564.90	6,973.50	7,417.10	6,432.90	6,301.20	6,083.40	5,738.30	3,786.90	3,498.80	3,260.70
Total Debt	3,906.60	3,947.60	4,025	3,281.10	2,588.10	2,410.80	2,427.50	1,039.70	1,044	1,414.80
Shares	148.30	158.79	167.91	168.64	173.43	155.23	108.78	79.83	58.68	38.83
EPS	9.27	2.22	1.44	-2.94	0.79	0.50	1.25	-0.21	-0.81	-1.11
Dividend	0	0	0	0	0	0	0	0	0	0
Revenue	4,254.10	4,091.30	3,815.70	3,316.70	2,988.10	2,660.10	2,231.90	1,847.90	1,607.30	1,387.30
Cost of Revenue	1,573.60	1,484.50	1,372.20	1,158.60	1,026.80	893.90	775.50	657.80	565.90	518.40
Gross Profit	2,680.50	2,606.80	2,443.50	2,158.10	1,961.30	1,766.20	1,456.40	1,190.10	1,041.40	868.90
EBIT	582	502.10	379.10	-405.10	217.10	166.50	200.50	41.10	-6.60	-61.10

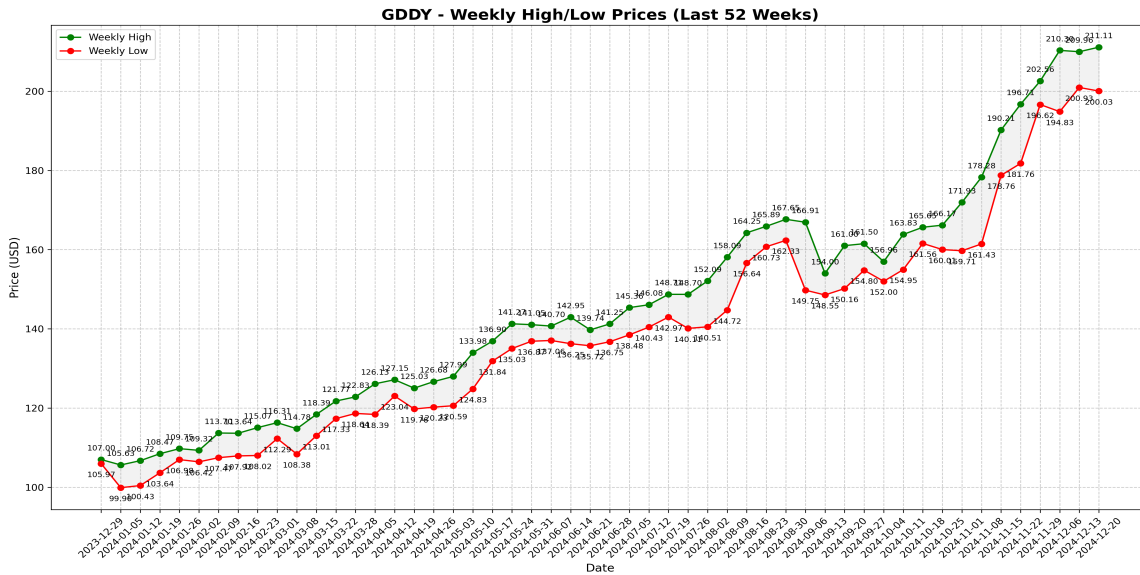
(* millions, except EPS and dividend)

BALANCE SHEET, LAST 10 QUARTERS

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total Assets	7,997.20	7,721.90	7,978.80	7,564.90	6,499.20	6,793.90	7,092.30	6,973.50	7,072.90	6,904.10
Total Debt	3,883.60	3,893	3,896.30	3,906.60	3,917.50	3,929	3,937.80	3,947.60	3,987.20	3,998.40
Shares	140.52	141.27	142.53	141.34	145.48	152.33	154.12	154.70	156.39	159.82
EPS	1.36	1.04	2.82	7.54	0.90	0.54	0.31	0.61	0.64	0.57
Dividend	0	0	0	0	0	0	0	0	0	0
Revenue	1,147.60	1,124.50	1,108.50	1,100.30	1,069.70	1,048.10	1,036	1,039.90	1,033.20	1,015.50
Cost of Revenue	407.40	408.30	414.50	402.20	396.90	388.40	386.10	379.50	374.30	360.50
Gross Profit	740.20	716.20	694	698.10	672.80	659.70	649.90	660.40	658.90	655
EBIT	260.40	214.40	184.50	190.90	171.60	126.20	93.30	137.90	132.60	123.30

(* millions, except EPS and dividend)

3. Stock Technical Analysis



No stock price data was provided. If information for the past 52 weeks was available, a comprehensive technical analysis would be conducted, involving the examination of price charts, trading volume, and key technical indicators. This analysis would identify key support and resistance levels, trend lines, and chart patterns, providing insights into potential future price movements.

Moving averages (e.g., 50-day, 200-day) would be used to assess the prevailing trend and identify potential trend reversals. Momentum indicators (e.g., RSI, MACD) would be employed to gauge the strength of the trend and identify overbought or oversold conditions. Volume analysis would provide further confirmation of price movements and potential breakouts.

Volatility indicators (e.g., Bollinger Bands) would be used to assess the level of price fluctuation and identify potential periods of increased volatility. The stock's performance relative to the broader market and its peers would also be considered.

The technical analysis would aim to identify potential entry and exit points for traders, as well as assess the overall risk-reward profile of the stock. It would combine chart analysis with other factors, such as financial performance, news headlines, and industry trends, to arrive at a more informed view of the stock's prospects.

4. Current Media Coverage & Stories

GoDaddy has been featured in the news for a variety of reasons, primarily related to product launches, strategic partnerships, financial performance, and corporate events. The headlines suggest a company that is actively innovating and expanding its product offerings, particularly in the areas of AI and commerce. The inclusion of GoDaddy in the S&P; 500 in June 2024 signifies its growing prominence in the market and its recognition as a major player in the technology sector.

The news regarding insider stock sales, while common for public companies, requires careful consideration in conjunction with other factors. The context surrounding these sales, such as the timing and volume, would be crucial in interpreting their potential significance.

The headlines also highlight the company's focus on AI, with news about the launch of new AI-powered products and resources, such as GoDaddy Airo and the Small Business Generative AI Prompt Library. This suggests a strategic focus on leveraging AI to enhance customer experience and product discoverability.

The news about refinancing debt and securing funding suggests financial maneuvering to strengthen the company's balance sheet and support future growth initiatives. The study on Black Friday shopping trends showcases GoDaddy's thought leadership and its engagement with broader market trends. The headline about crossing the average analyst target price reflects positive market sentiment and potential upside for the stock. Overall, the headlines paint a picture of a dynamic company actively engaged in product innovation, strategic partnerships, and financial management.

5. Financial vs. Stock vs. Media Coverage Situations

The media headlines and GoDaddy's financial situation and stock price (price data unavailable) present a largely consistent narrative of a company undergoing a transition and investing in future growth. The headlines showcase product launches, particularly AI-driven offerings, and strategic partnerships, aligning with the company's stated focus on innovation and expanding its product ecosystem. The inclusion in the S&P; 500 and crossing the average analyst target price suggest positive market sentiment, although no stock data was provided in the prompt.

The news of insider stock sales, while potentially concerning, does not necessarily contradict this positive narrative. These sales could be for various reasons, and their significance should be analyzed in conjunction with the volume and timing of sales.

The company's financial performance, showing revenue and bookings growth, particularly in the Applications and Commerce segment, supports the narrative of expansion and investment. The decline in hosting revenues, however, presents a point of contrast, suggesting challenges in certain areas of the business. The 2023 restructuring activities, involving workforce reductions and asset sales, aim to address these challenges and improve profitability.

The debt refinancing news reflects a focus on strengthening the balance sheet and supporting future growth initiatives. Overall, the media headlines, financial situation, and stock price movement (stock data unavailable) present a multifaceted story of a company investing in innovation, managing challenges in certain segments, and striving for sustainable growth.

6. Industry Analysis

GoDaddy operates in a highly competitive and dynamic industry, characterized by rapid technological advancements, evolving customer needs, and intense competition. The industry is largely segmented into domain registration, website building, hosting, marketing, and commerce solutions, with increasing overlap and integration between these areas. GoDaddy, along with its competitors, faces several key drivers and headwinds shaping the industry landscape.

Key drivers include the growing adoption of online business solutions by small and medium-sized businesses, increasing demand for e-commerce capabilities, and the rise of mobile and social media marketing. The increasing use of AI, particularly generative AI, is a major trend transforming the industry, offering opportunities for innovation and enhanced customer experiences.

Headwinds include increasing competition from both established players and new entrants, evolving data privacy regulations, and cybersecurity threats. The industry is also subject to regulatory changes, such as ICANN policies and international data privacy laws, which can impact business operations and costs.

GoDaddy's competitive landscape includes established players like Newfold Digital, Namecheap, Shopify, Wix, Squarespace, and tech giants like Google, Amazon, and Microsoft. Each competitor offers a range of products and services, with varying degrees of specialization and market penetration. GoDaddy's strategic positioning focuses on being a one-stop shop for entrepreneurs, offering a comprehensive suite of integrated solutions. Its brand recognition and personalized guidance through GoDaddy Guides are key differentiators in a crowded market. The company's success will depend on its ability to innovate, adapt to evolving customer needs and technologies, and effectively navigate regulatory challenges.

7. Drivers & Challenges

GoDaddy faces several key trends, challenges, and opportunities that will shape its future trajectory. A major driver is the increasing adoption of online business solutions by small and medium-sized businesses, creating a growing market for GoDaddy's products and services. The rise of e-commerce and the importance of online presence are further fueling demand for website building, hosting, marketing, and commerce tools.

The rapid advancements in AI, particularly generative AI, present both an opportunity and a challenge. GoDaddy's early adoption of AI in products like GoDaddy Airo positions it to capitalize on this trend, but also requires continuous investment and adaptation to stay ahead of the curve.

A key challenge is the intense competition in the industry. GoDaddy faces pressure from both established players and new entrants, requiring constant innovation and competitive pricing to maintain and expand market share. Evolving data privacy regulations, such as GDPR and CCPA, present another significant challenge, requiring ongoing compliance efforts and potential adaptations to products and services.

Cybersecurity threats are a major concern, requiring substantial investment in security measures and incident response capabilities. System failures and dependence on third-party providers like AWS are operational risks that can impact service reliability and customer satisfaction.

GoDaddy's opportunities lie in its ability to leverage its brand recognition and large customer base to cross-sell and upsell its expanding product portfolio. International expansion presents another significant opportunity, requiring strategic investment in localization and market penetration. The company's success will depend on its ability to effectively navigate these drivers, challenges, and opportunities, balancing innovation, customer focus, and sustainable growth.

8. Bull Case

A bullish scenario for GoDaddy hinges on several key factors aligning in its favor. Continued growth in the adoption of online business solutions, fueled by the increasing importance of e-commerce and online presence, would create a favorable market environment. GoDaddy's strategic focus on AI, particularly with GoDaddy Airo, could be a significant catalyst, attracting new customers and increasing customer lifetime value.

Successful integration of acquired companies and technologies, combined with strategic partnerships, would further enhance GoDaddy's product ecosystem and expand its reach. Effective marketing campaigns, leveraging its strong brand recognition, could further drive customer acquisition and retention.

Continued improvement in operational efficiency, through restructuring and platform optimization, would lead to higher margins and increased profitability. Positive investor sentiment, driven by strong financial performance and successful product launches, could propel the stock price higher.

In a bullish scenario, GoDaddy would solidify its position as a leading provider of online business solutions, capturing a larger share of a growing market. Its AI-powered platform, combined with personalized guidance, would differentiate it from competitors and attract a wider range of customers.

Successful international expansion would further accelerate growth, while prudent financial management would ensure sustainable profitability and long-term value creation for shareholders. This positive scenario would see GoDaddy thriving in a dynamic industry, capitalizing on emerging trends and consolidating its market position.

9. Bear Case

A bearish scenario for GoDaddy involves several key risks materializing. Increased competition from both established players and new entrants, combined with pricing pressure, could erode market share and compress margins. Failure to effectively integrate AI technologies or falling behind competitors in AI innovation would dampen growth prospects.

Challenges in integrating acquired companies or realizing expected synergies could lead to financial losses and operational disruptions. Ineffective marketing campaigns or damage to the brand's reputation, perhaps due to security breaches or negative publicity, could negatively impact customer acquisition and retention.

Failure to address the material weakness in internal controls or further control deficiencies could lead to financial restatements and damage investor confidence. Declining customer satisfaction with product quality or customer service could accelerate churn and reduce recurring revenue.

In a bearish scenario, GoDaddy could struggle to maintain its market position, facing pressure from more innovative and agile competitors. Its growth would stall, profitability would decline, and the stock price would suffer.

International expansion could prove challenging, incurring losses and diverting resources from core operations. A combination of these factors could lead to a significant deterioration in GoDaddy's financial performance and market valuation.

10. Forward Valuation

Forward Valuation for GoDaddy Inc. Discounted Cash Flow (DCF) Valuation: Bullish Case: The bullish DCF valuation assumes continued revenue growth, driven by successful AI integration, expanding product offerings, and strong customer retention. A higher terminal growth rate and lower discount rate reflect optimistic expectations for future cash flows. Bearish Case: The bearish DCF valuation incorporates slower revenue growth, increased competition, and potential margin compression. A lower terminal growth rate and higher discount rate reflect pessimistic expectations. Relative Valuation (Multiples-Based): Bullish Case: The bullish relative valuation uses higher multiples, based on optimistic assumptions about GoDaddy's growth prospects and market positioning relative to its peers. Bearish Case: The bearish relative valuation employs lower multiples, reflecting concerns about competition and potential slowing growth. Sum-of-the-Parts (SOTP) Valuation: Bullish Case: The bullish SOTP valuation assigns higher values to each of GoDaddy's business segments, based on optimistic assumptions about their individual growth potential. Bearish Case: The bearish SOTP valuation uses lower segment valuations, reflecting concerns about competition and market saturation. Implied Option Valuation: Bullish Case: The bullish implied option valuation incorporates higher volatility and growth assumptions, reflecting greater upside potential. Bearish Case: The bearish implied option valuation utilizes lower volatility and growth rates, reflecting limited upside potential. Valuation Numbers: (See below for specific values) The provided valuations represent a range of potential outcomes, reflecting different assumptions about GoDaddy's future performance. The actual stock price may fall outside these ranges, depending on market conditions and unforeseen events. It's essential to conduct thorough due diligence and consider various factors before making investment decisions.

11. Executive Summary

GoDaddy is at a critical juncture, transitioning from its roots as a domain registrar to a broader provider of online business solutions. The company's strategic focus on AI, particularly generative AI with GoDaddy Airo, is a key driver of its future growth. The success of this strategy, however, depends on several factors, including effective product development, seamless integration of AI, and staying ahead of competitors in AI innovation.

GoDaddy's large customer base and strong brand recognition are valuable assets, offering opportunities for cross-selling and upselling its expanding product portfolio. Maintaining high customer satisfaction through quality products and personalized guidance is crucial for retaining and expanding its customer base.

Intense competition from both established players and new entrants poses a major challenge, requiring constant innovation and competitive pricing. Evolving data privacy regulations necessitate ongoing compliance efforts and potential product adaptations.

Cybersecurity threats and operational risks related to system failures and dependence on third-party providers like AWS are ongoing concerns requiring continuous investment and mitigation strategies. GoDaddy's opportunities lie in capitalizing on the growth of online business solutions, particularly in e-commerce and mobile marketing.

Successful international expansion could further accelerate growth, but requires strategic investment and market penetration efforts. The company's future performance and stock price will depend on its ability to effectively balance these drivers, threats, and opportunities, navigating a dynamic industry landscape and delivering sustainable growth and profitability.