# A Financial Analysis and Valuation of GoDaddy Inc

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**Abstract.** This paper introduces the famous Internet domain name registration company, GoDaddy Inc., by introducing the basic situation of the company and analyzing the company's strategy, comparing it with the relevant competing companies in the same industry, and analyzing the different liquidity capabilities between different companies. Solvency and profitability to draw relevant conclusions about the stage of the company, to increase the understanding of the company's fundamentals to grasp the general direction, and at the same time compare different investment indicators such as price-earnings ratio and growth ratio, current earnings per share and other indicators. Then compare it with the relevant competing companies in the Internet industry, you can understand the relevant operating conditions of the company, combined with the previous financial analysis and the current analysis of investment indicators can be decided whether the company is worth making an investment conclusion. By delving into the intricacies of GoDaddy's financial performance and market positioning, this analysis equips investors with the knowledge needed to make astute investment decisions in the dynamic Internet domain registration industry.

**Keywords:** GoDaddy Inc.; Performance Evaluation; Valuation; Forecast.

## 1. Introduction

GoDaddy Inc. (GDDY) is an Internet company whose product offerings are focused on providing simple, easy-to-use cloud computing products and results for small businesses, web design professionals, and individuals to customize and personalize their services, as well as providing services like a web store to facilitate the different needs of their customers. The company operates the world's largest domain name marketplace to help customers find the products they need, and provides website builders and security tools that allow customers to build and secure online presence. The company provides website building and security tools that enable customers to build and maintain an online presence. GDDY has nearly ten thousand employees, it helps twenty-one million users and has over eighty-four million domain names worldwide. Its main operating market is in the United States, where it generates more than two-thirds of its total revenue each year on U.S. soil, and the company is also working extremely hard to open up overseas markets. In 2016, GDDY acquired HEG, which has a very similar customer base to GDDY, with eighty percent of its customers being small businesses with a small number of employees, and this acquisition has helped the company to move forward five years in the European market [1]. In order to expand its market share and improve its services, GDDY found through user surveys that small businesses that utilize artificial intelligence gain a better competitive advantage [2]. AI can help these companies save money and work time, so the company followed up with the launch of GoDaddy Airo in February to promote AI-driven solutions and at Investor Day 2024, the company demonstrated a live demo of GoDaddy Airo [3]. This AI-driven solution saves small business owners valuable time in building their online presence, and this AI can help establish and grow an online business with customers interacting with them within minutes of registering a domain name, and if the site is set up, other related features can be used to help them attract new customers. In the Chinese market, GDDY has recently started allowing Alipay payments and launched a separate Chinese interface, the company's larger size and lower prices have attracted many customers to adopt its products. In the fourth quarter of 2023 on the financial report shows that the company's business in 2023 in good condition full-year revenue of $ 4.3 billion, up 4% from the previous year, net profit of $ 1.4 billion growth of nearly three times. Meanwhile, with a free cash flow of $1.1 billion, the company is in excellent operating condition. In the next fiscal year, the company expects to continue to vigorously develop artificial intelligence

combined with platform products, actively expand overseas markets including Australia, Europe, India and other countries and regions, to create a more complete product service and improve the artificial intelligence technology in order to help customers to create a better and more comfortable and convenient use of the environment.

## 2. Performance Evaluation

### 2.1. Liquidity

**Table 1.** Liquidity ratios of GDDY and its competitors

| Company Names | Current ratio | Quick ratio | Cash ratio |
|---|---|---|---|
| GDDY | 0.468 | 0.468 | 0.185 |
| AMZN | 1.045 | 0.843 | 0.445 |
| WIX | 1.356 | 1.356 | 0.775 |
| GOOGL | 2.096 | 2.010 | 0.202 |

Data source: NASDAQ

According to Table 1, GDDY's current ratio, quick ratio, and cash ratio are the lowest among the four companies, the current ratio is lower than 0.5, which indicates that the company's assets have poor liquidity in the short term, it may be due to the reduction of current assets, such as cash, accounts receivable decrease lead to a lower current ratio, but also may be the increase of the company's current liabilities, through the liabilities to increase the company's inputs. It may be due to excessive growth in sales, all these reasons can lead to a decrease in the current ratio, Means that the short-term debt service ability of the enterprise is weak, facing higher financial risk, quick ratio is lower than 0.5 also shows that the liquidity of the company's assets is small, the enterprise's short-term repayment of debts need to use other non-current assets, or continue to borrow to pay off the debt, because the current assets can't be quickly liquidated, both the money funds, short-term investment and other assets are small, it will affect the safety of the company's assets in the face of Debt repayment situation, the assets cannot be quickly realized [4]. Meanwhile GDDY's cash ratio is too low for several possible reasons. First, it may be that it relies too much on short-term debt financing and does not plan its cash flow wisely. Second, it may also be that there is a backlog of inventory, and such a low cash ratio affects the company's liquidity, and liquid assets increase the cost of financing, reduce the financial flexibility of the company, and limit its ability to respond quickly to the market. At the same time in the GDDY company announced 23 years of financial results can be learned, the company does not intend to pay dividends to shareholders, further explaining the intention to invest the extra funds to expand the company's scale, at the same time is expected to reduce the interest rate spreads of $ 1.8 billion of term debt, so that they can save about $ 22 million in the new year, at the same time in order to enhance the competitiveness of their own products and improve the level of their own service, the company will invest a considerable portion of the income into the scientific research and development, the decision spend a large portion of the proportion of the cash, and the company will not be able to pay a dividend. In addition, a large portion of the company's income is deferred revenue, which is a liability accounting item, and at the end of the period is generally included in the projected liabilities, increasing the total amount of liabilities by a large amount, and through the calculation of the formula results in a low cash ratio, which is one of the reasons why the company has led to a poor liquidity. However, considering GDDY's aggressive expansion strategy, it can also be assumed that the company has been expanding its operations during this period and trying to find ways to capture more market share, thus choosing to invest a large amount of money into the market to be used for its operations so as to capture more market share, so the result of the performance is that the company's liquidity is low.

### 2.2. Solvency

**Table 2.** Solvency ratios of GDDY and its competitors

| Company Names | Total Debt Ratio | Long-Term Debt Ratio | Times-interest-earned |
|---|---|---|---|
| GDDY | 0.992 | 0.502 | 3.57 |
| AMZN | 0.617 | 0.110 | 11.58 |
| WIX | 1.030 | 0.315 | 0.53 |
| GOOGL | 0.295 | 0.032 | 273.68 |

Date source: NASDAQ

According to Table 2, it can be seen that GDDY's gearing ratio is very high, indicating that the company may have no net assets or be insolvent, which exactly corresponds to the data in Chart 1. The lower cash ratio and higher gearing ratio both indicate that the company may be obtaining funds through debt at the moment, and at the same time, the higher gearing ratio means that the company has taken on a greater debt pressure and financial risk, If it is not able to pay its debts on time, the enterprise will be exposed to the risk of default, which may eventually lead to bankruptcy. The long-term debt ratio is one of the indicators of a company's ability to repay its debt in the long term [4]. A lower ratio means a higher degree of assurance that the company will be able to repay its long-term debt in the future, GDDY's long-term debt ratio is the inverse of that of the four firms, and long-term debt ratios of more than 0.5, combined with excessively low cash ratios and very high gearing ratios, Although GDDY's ability to service its debt is not satisfactory, this may be due to the fact that GDDY is financing its operations through debt [5]. The funds obtained through debt are used to expand its market and compete, where lower liquidity and poorer solvency suggests that the company has invested a large portion of the funds in its operations in anticipation of greater returns in the future. Although from the creditor's point of view, the poor solvency of the enterprise will affect the realization of their claims, from the operator's point of view, the analysis of the enterprise's high debt ratio, can use financial leverage and other means to obtain control of the enterprise with less capital. As you can tell from the company's financial reports, its high gearing has been a constant situation for several years. In conjunction with the company's 10-k report, the company's liquidity is generated primarily from cash flow from operating revenues as well as long-term debt borrowings, prioritizing the company's operational needs before growth-oriented investments, with a significant amount of long-term debt being used primarily for acquisitions, stock repurchases as well as to meet the need to learn about the various markets around the world, and the company's spending of capital investments in order to maintain and capture market share [2]. This may also be the reason why the company's liquidity has deteriorated; the company's gearing is too high and its solvency is poor.

### 2.3. Profitability

**Table 3.** Profitability ratios of GDDY and its competitors

| Company Names | Profit Margin | Operating Margin | Asset Turnover |
|---|---|---|---|
| GDDY | 0.323 | 0.128 | 0.59 |
| AMZN | 0.053 | 0.064 | 1.16 |
| WIX | 0.021 | -0.015 | 0.88 |
| GOOGL | 0.240 | 0.274 | 0.80 |

Data source: NASDAQ

From Table 3, it can be seen that GDDY is inferior to other companies in the asset turnover ratio, the enterprise may have too much inventory, resulting in its overall liquidity is poor, low asset turnover ratio means that the enterprise's operating efficiency declines, it may also be a decline in market competitiveness. From the financial report, it can be seen that GDDY is now facing severe competition, a large number of Internet companies to enter the domain name registration market, including strong Google Amazon and other rivals. Some companies utilize their strong branding, while others have solid technical guarantees, such as relevant security certificates as well as servers

that, GDDY's revenue growth is showing an upward trend, but this is relying on the reduction of expenses and not going to be the growth of marketing revenue, the reduction of operating efficiency leads to the necessity for the company to expand the scale of its market operations [6]. Therefore, it needs to invest a lot of money to develop, which is one of the reasons for the company's high debt ratio and low cash ratio. GDDY's operating margins are in the middle of the pack among the four companies, with decent operating efficiencies, which may have also impacted GDDY's profits, with the company having the highest profits among the four companies, In conjunction with the annual report, the company's profitability in FY23 was significant due to efforts to expand the breadth and scope of its business, operations, and product offerings, revamping portions of its information technology and financial infrastructures, investing in additional product offerings, applying a significant portion of its scientific research to its products, reducing its expenses, increasing its efficiencies, and increasing the core competitiveness of its products, and attracting and retaining a larger number of customers. It relies on the profits from its operations to generate enough cash flow to continue to grow and invest in the company [6]. In order to retain customers, the cost of various marketing channels is very high, the results that these channels ultimately produce cannot be guaranteed, but the overheads involved are not cost-effective, and the degree of exposure is increased through a series of promotional channels such as keyword searches, endorsements, and other services that have grown from $3.5 These services have grown year on year from $350 million to over $500 million today and cannot be interrupted, an interruption could have a negative impact on the company's image, which could also be the reason for the company's low turnover as most of the money needs to be invested in the company's product services. The above comparison shows that GDDY's figures indicate that the company is gearing up for market share expansion.

## 3. Valuation

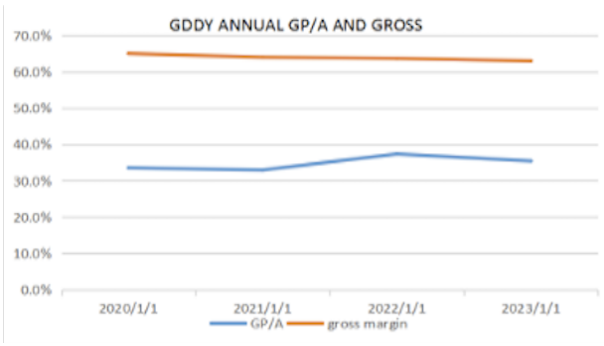
**Table 4.** Forecast ratios of GDDY and its competitors

| | GDDY | GOOGL | WIX | AMZN |
|---|---|---|---|---|
| Share price | $108.96 | $133.40 | $136.53 | $175.48 |
| TTM EPS | 2.75 | 5.8 | 4.53 | 2.88 |
| NTM EPS | 4.74 | 6.79 | 4.85 | 4.11 |
| EPS growth rate | 72.4% | 17.1% | 7.1% | 42.7% |
| Revenue growth rate | 6.2% | 12% | 12.10% | 11.50% |
| TTM P/E | 39.62 | 23.00 | 30.14 | 60.93 |

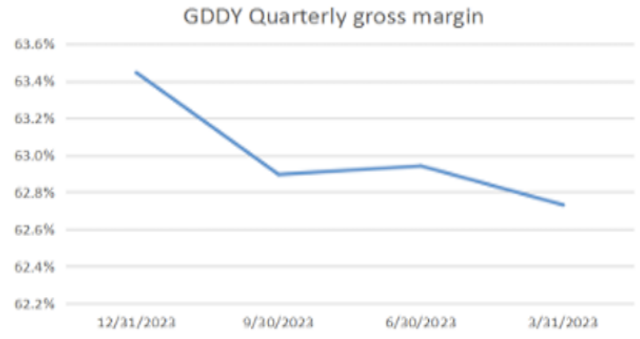
Data source: NASDAQ

In terms of indicators related to whether or not to invest, GDDY has the lowest P/E to Growth Ratio (see Table 4), which was introduced to make up for the lack of a P/E ratio, as stocks with high P/E ratios are viewed favorably by the market, but without knowing their future growth, the P/E to Growth Ratio was introduced as an indicator that helps to show whether or not a company's market cap is overvalued by the market or not, as the market tends to price a company's stock relative to the sector and industry in which it operates . The market tends to price a company's stock relative to the sector and industry in which it operates, so the PEG Ratio and P/E Ratio of an individual company are compared to its industry average [7]. On a scale of 1, if it is above 1 it is overvalued, if it is below 1 it is undervalued, The data of GDDY is 0.5, from the general investment experience, the P/E and growth ratio around 0.5 is a very suitable point for investment, and the investment at this time tends to achieve higher returns, while the data of WIX is much higher than 1, at this stage, the company's market capitalization may be overestimated by the market, and if you get in at this time, you may not be able to achieve the desired returns, which is also not recommended to invest in these of the reasons why investing in the WIX is not recommended. Google and Amazon in this data performance in the middle of the road, and not too far away from the point of 1, the company's market capitalization has always remained within a reasonable range, from the investment side of the return is more stable,

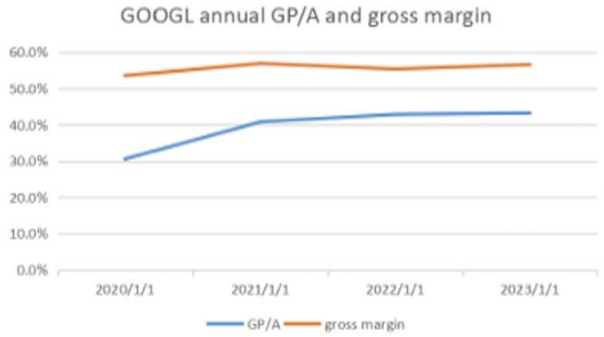
there will not be a substantial change, in order to maintain a high return on investment, but also from this indicator illustrates one of the reasons for choice, Looking at additional data such as current EPS and projected EPS for the next 12 months, GDDY has maintained a very strong growth momentum, which is one of the indicators of the company's own good prognosis for the future business situation [8].



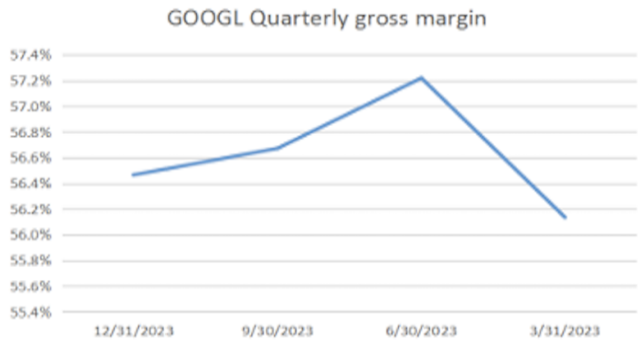

(a) GDDY GP/A and Gross Margin.



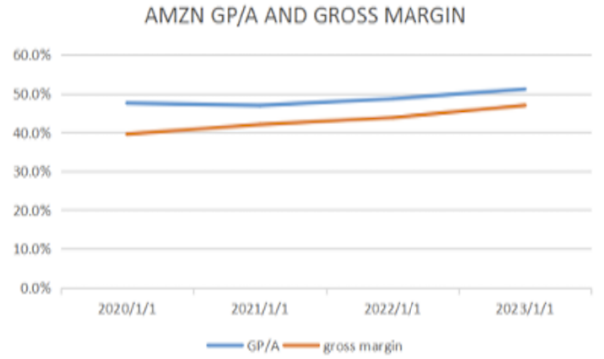

(b) GDDY Quarterly Gross Margin.



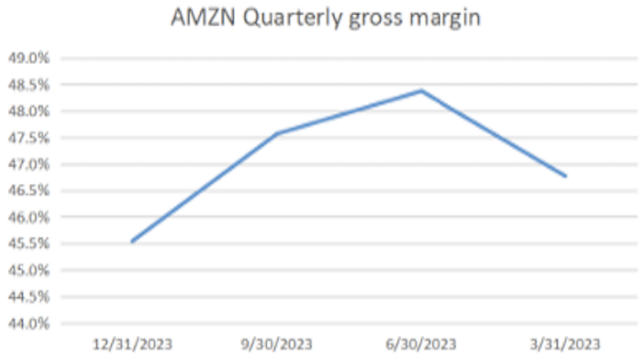

(c) GOOGL GP/A and Gross Margin.



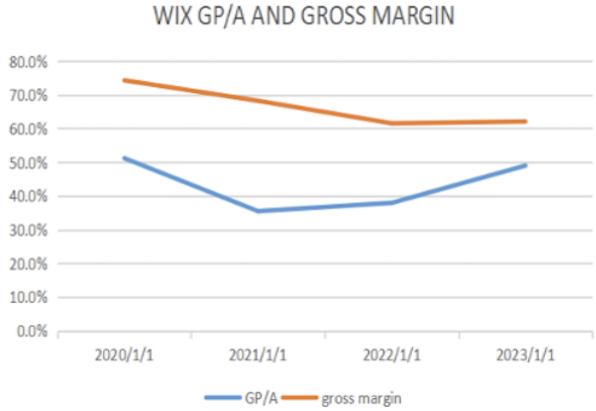

(d) GOOGL Quarterly Gross Margin.




(e) AMZN GP/A and Gross Margin.




(f) AMZN Quarterly Gross Margin.




(g) WIX GP/A and Gross Margin

**Fig 1.** Financial ratios of GDDY and its competitors.

Comparing the gross profit of each company in the Figure 1, it can be seen that GDDY has consistently maintained better gross profit in the recent years [9]. The gross profit margin can be basically above 60%. Compared to the data of the other three competitors, Google and Amazon can only be maintained at about 50%, showing a higher competitiveness, because the higher the gross profit margin, indicating that the company's profitability is stronger, the greater the profits of the enterprise, which is part of the risk-free capital can be invested in expanding the scale of the enterprise's own development, but also pay dividends and dividends, which can also indicate that the company's products have a better competitiveness, The reason for the high gross margin may be that GDDY's products may be more popular in the market, the company's services are recognized by the market public, so more customers are willing to choose to work with it, or it may be that the company's costs are even lower, which leads to its higher gross margin. To summarize, GDDY's performance in some of the investment metrics including the lowest share price is more superior compared to the other three competing companies, which is one of the biggest reasons why it is recommended to invest in GDDY [10].

## 4. Conclusion

In the company's annual report, it is pointed out that the company's current revenue depends on the previous period's customers to maintain, more than 85 customers are willing to cooperate with the company again, which shows that the company's group of stickiness is high, the company in order to attract customers to increase the investment in advertising and so on, in order to help it to continue to expand and stabilize the customer base, and secondly, it is told that the company in comparison with the year 2022, for the future development of the company may face the following Market risks are explained and illustrated, including foreign currency risk, the report pointed out that if the foreign currency exchange rate changes around 10%, through the company's use of foreign exchange forward contracts and cross-currency swaps, the combination of the company's cash and cash equivalents will not be affected by the impact of the shock, the company's part of the booking, revenues and operating expenses are denominated in foreign currencies, the most significant exposure to foreign currencies are the British pound, the euro and the Canadian dollar. The Company's total bookings will grow by more than 40 basis points in 2023 at constant exchange rates, and while it is possible to hedge these bookings through a variety of means, including the use of forward contracts, there is still a risk of loss.

The second is the risk of currency swaps, in order to manage the volatility arising from foreign currency exchange rates related to inter-company loans denominated in euros. The Company entered into cross-currency swaps five years ago to help offset the Company's currency swap risk by converting euro-denominated inter-company loans into fixed U.S. dollar interest and principal income to reduce exposure to fluctuations between the euro and the U.S. dollar.

With respect to interest rate risk, the Company entered into variable rate clauses to help reduce its debt burden and to mitigate its own operational aspects by refinancing portions of its debt, and in April 2017, the Company entered into a five-year pay-fixed-rate, receive-variable-rate interest rate swap arrangement to effectively convert a portion of its variable-rate borrowings under the 2029 Term Loan to a fixed rate. The Company entered into a transaction and, in addition, as GDDY refinances a portion of its debt in November 2022, each of these contractual arrangements can effectively help the Company hedge its exposure to interest rates.

From the above analysis of the company's data, liquidity, solvency, profitability, and related investment metrics as well as the treatment of future risks in the financial report, it can be concluded that GDDY is worth investing in compared to the other three competing companies because of its clearer future growth. In the absence of market risks and other crises, the company's development has been steady and its profitability has been confirmed, with good growth in total revenues, international revenues and bookings compared to the previous year, and gross margins above 60% for several years in a row, which is very stable and shows that the company has a strong competitiveness in the field.

Relevant investment metrics such as P/E and growth ratios, current EPS and future EPS, are in a good range. Lower P/E and growth ratios indicate that a company may be undervalued by the market and that the stock price is being influenced by the market, and that if it is possible to invest in lower periods, the stock price will eventually return to the vicinity of the company's true internal value, which means that the investor can achieve a more satisfactory return on his or her investment. Higher EPS growth is a good indicator of the company's future earnings prospects. The company occupies a larger share of the domain name registration market, which is also one of the advantages of GDDY, a larger market share means greater profitability, in the future within a period of time The company can maintain a higher growth rate, and maintain a high customer stickiness, from the recent years to see the company's customer stickiness of more than 85%, which means that the company has a stable source of customer groups, also shows that the company's products and services are excellent. Product service is excellent, at the same time in the company's annual report, you can learn the future development of the company's planning and the means of risk avoidance, the company's main risks in the future can be avoided through a combination of various means, so it also proves that the company since the ability to prevent the future risk of having an excellent performance. To summarize, GDDY has obvious reasons to invest in the company that make it stand out from its competitors.

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