

VALUATION: GODADDY

Team:	Cash Me If You Can
Team Members:	Cole Benedict, Cody Clifford, Jared Webb, Yasmin Abuomar
Date Presented:	11/4/2024
Investment Decision:	Invested \$5,000.00 ~30 shares

INTRODUCTION:

Our group chose to analyze GoDaddy after exploring several different investment hypotheses and settling on our lower P/E, no dividend criteria. Our investing hypothesis reduced our investment universe down to only four companies, and GoDaddy was the strongest candidate. GoDaddy's revenue and EPS have consistently beat analyst estimates, its stock has increased 123.14% over the past year, and it was just added to the S&P 500 index.

COMPANY OVERVIEW:

Ticker:	GDDY	Exchange:	NYSE
Current Stock Price:	\$163.50	Date Reported:	11/1/2024
Target Stock Price:	\$194.57	Target Date:	11/4/2024

GoDaddy was founded in 1997 and headquartered in Tempe, Arizona, GoDaddy started as a domain registrar and expanded over the years into a leading provider of web hosting, website building, and online business services. It provides cloud-based solutions for small businesses and individuals to build and manage their online presence, offering website creation, e-commerce, marketing tools, domain services, hosting, and online security. GoDaddy has a 16.3% market share in the web domain market (\$9.4B market with a 4.6% CAGR) and 1.5% market share in the internet hosting services market (\$54.4B market with a 16.9% CAGR). Its competitive advantages in the web domain market are its scale-based cost leverage, global brand recognition, switching costs, and premium domains. Its competitive advantages in the web hosting services market lie in its targeted segment, custom AI, integrated marketing solutions, and broad range of hosting services.

VALUATION SUMMARY:

GoDaddy's current stock price is \$163.50, and our target price is \$194.57. Our main assumptions are 1) free cash flows to equity will continue to grow as expected, 2) revenue growth and net income trends will continue and 3) the debt-to-equity ratio continues to decrease. Our primary concerns about risk surround GoDaddy's debt-to-equity ratio and its ability to continue growing given the unconcentrated and competitive industry.

HISTORICAL PERFORMANCE:

GoDaddy's average annualized return was 20.3% over the past nine years (since IPO on April 1, 2015), compared to the SPY's average of 12.5% over the same period. GoDaddy's cumulative return since IPO is 716.8% compared to the SPY's 229.3%. GoDaddy's standard deviation is 24.3% compared to 15.2% for the SPY, but due to its higher returns it has a higher Sharpe ratio of 0.84 compared to the SPY's 0.61. Due to its higher returns and lower risk (in terms of Sharpe ratio and max drawdown), GoDaddy's historical performance supports our buy recommendation.