

VERB Publishes Management's Prepared Remarks During Second Quarter 2022 Earnings Call

Q2 2022 SaaS Recurring Revenue Up 23% Over Q2 2021

Q2 2022 Gross Margin Up 23% Over Q2 2021

R&D Operational Expenses Cut 57% from Q2 2021

Successful MARKET.live launch and SHOPFEST in July 2022

- ***Second quarter 2022 SaaS recurring revenue up 23% over prior year comparable quarter***
- ***Second quarter 2022 gross profit margin up 23% over prior year comparable quarter***
- ***Second quarter 2022 Total Digital revenue up 19% over prior year comparable quarter***
- ***SaaS recurring revenue now accounts for 91% of Total Digital revenue – up from 88% in Q2 2021***
- ***SaaS recurring revenue now accounts for 82% of total revenue – up from 67% in Q2 2021***
- ***Total Digital revenue accounts for 90% of total revenue – up from 76% in Q2 2021***
- ***R&D expense down 57% from prior year comparable quarter and 13% since Q1 2022***
- ***Modified EBITDA¹ improvement by \$2.2 million over Q2 2021***

NEWPORT BEACH, Calif. and LEHI, Utah, Aug. 15, 2022 (GLOBE NEWSWIRE) -- [Verb Technology Company, Inc.](#) (Nasdaq: VERB) ("VERB" or the "Company"), the leader in interactive video-based sales enablement applications, including shoppable livestream, today reported financial and operating results for the quarter ending June 30, 2022, and held an earnings conference call at 5:30 p.m. ET to discuss these results. Prepared remarks of the management team during the conference call are provided below.

Management Prepared Remarks

VERB 2022 Second Quarter Financial Results Conference Call

Monday, August 15, 2022, 5:30 p.m. ET

Company Participants

Rory J. Cutaia, CEO

Salman Khan, CFO

Operator:

Good afternoon and welcome to the second quarter 2022 Financial Results Conference Call for Verb Technology Company, Inc. At this time, all participants are in a listen-only mode. Please be advised, the call is being recorded at the Company's request.

On our call today are Rory J. Cutaia, CEO, and Salman Khan, CFO.

Before we begin, I'd like to remind everyone that statements made during this conference call will include forward-looking statements under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties that can cause actual results to differ materially. Forward-looking statements speak only as of the date they are made, except as required by law, as the underlying facts and circumstances may change. Verb Technology Company disclaims any obligations to update these forward-looking statements, as well as those contained in the Company's current and subsequent filings with the SEC.

I would now like to turn the call over to Rory J. Cutaia, CEO. Rory?

Rory J. Cutaia:

Thank you moderator, and thanks to everyone for joining us today for our Q2 2022 financial results and business update conference call.

I'd like to use our time together today to talk a bit about MARKET, our livestream social shopping platform, and provide some initial reactions and data points around Shopfest, which was the 3-day livestream shopping festival we hosted a little over 2 weeks ago that marked the hard launch of MARKET.live. And of course I'll provide insights and perhaps more color on the information contained in our second quarter 10-Q we filed today which reflects for the most part the results of our SaaS business for the direct sales industry.

As to MARKET, let me start by saying that we are planning a major – at least in my opinion – a major announcement regarding MARKET within the next 6 weeks that will include a comprehensive update. Accordingly, my comments here today won't include some of the bigger going forward initiatives, though I will provide a lot of data points on attendance, engagement, vendor experiences, and insights into how the platform performed.

We are advised that Shopfest was the largest livestream shopping event ever attempted in the U.S. Shopfest consisted of 63 livestream shows over 3 days, featuring over 55 retailers on multiple channels from multiple locations across the country and around the world. We had livestreams from Brazil, Australia, and perhaps other countries I'm not aware of. Of the 63 shows, our MARKET team produced only 18 from studios in New York City and Los Angeles. The 45 other livestreams were produced and hosted by the vendors themselves from their own remote locations using little more than their laptops and mobile devices. When you think about scalability, this is an important statistic. I'm aware of at least one vendor that heard about MARKET on the day before Shopfest started and went from awareness to onboarding and participation in Shopfest, hosting one of the more popular livestreams - in less than 24 hours.

So let me start with the KPI's we focused our team on going into Shopfest, what our

objectives were, and how we measured up against those.

First and foremost, we wanted to demonstrate the platform itself under true commercial deployment. Specifically, we wanted to demonstrate the quality, stability, reliability, scalability, feature set, ease of use by both vendors and shoppers, and the overall experience we wanted to create – in fact, to curate for all MARKET participants – an experience that would be the unique hallmark of anyone coming to MARKET.live.

As to the build and architecture of the platform, I believe it was apparent to all participants that MARKET is an extremely well-conceived and executed livestream shopping platform on par with any of the world class social media, ecommerce, video and content delivery platforms in the world, and in some cases – even better.

Any doubts about our ability to deliver an extraordinary and very valuable piece of technology for our shareholders should now be summarily erased. Everything we've done up through the date of Shopfest, and everything we learned from our trials and tribulations over the past several years, was necessary in order to produce MARKET. We could have the best and biggest vendors and the most impressive go-to-market growth strategies (which I believe we do) but without a world class platform, we'd have nothing.

By no means do I suggest that we've accomplished our goals – that we're done and walking around high-fiving each other in the office. Quite the contrary. Now it begins. While our success in delivering the platform has definitely injected a new, contagious passion, energy and enthusiasm among everyone on our team as well as among our partners, we recognize the opportunity for value creation that MARKET represents and unlocking that value is our number one objective - one on which we are laser-focused individually and collectively every single day.

What we had not shared until now was how much we had riding on the successful performance of the platform during Shopfest and the reasons we took our time in the planning, testing, and execution of Shopfest. And while that was a source of frustration and ridicule from those who wanted to see it launched commercially the day the development was completed - which I completely understand - we knew we had to execute our plan the best way we knew how.

When I talk about what we had riding on the successful performance of Shopfest, I'm referring to potential partnerships and business opportunities for meaningful growth and scale that were all contingent on the successful performance of the platform during Shopfest. I'll share more on this in the MARKET update I'll provide in the coming weeks.

As to the overall experience we wanted to curate for MARKET participants, it is best described as making it feel personal – certainly interactive and social - but yet an atmosphere where each shopper became part of a group of friends, immersed in a conversation not only with the host – but also with each other. An environment where no one feels like they are being sold – one where they want to buy what their trusted host and friend has available for purchase. Among the many things we learned was that people want to watch and buy from a person – not a brand.

They will mark their calendars to join the group of digital friends they form relationships with to chat and shop every week. Those hosts that attract and encourage that environment in

their presentations outsell those that don't by a long shot. We saw the beginnings of these relationship forming activities during Shopfest as we saw people in the chat recognizing one another from previous Shopfest streams and engaging with one another on a more personal level. Think of it like the massive growth and popularity of Facebook Groups – but with shoppable video. That's why we designed and built MARKET as a destination social shopping platform and not just a one-off livestream event plug-in for your website. This is what makes it unique and why we believe it will succeed where others will fail.

Our second, but equally important KPI was using Shopfest as a vehicle to create awareness for the platform. The reason for this is obvious – the success of the platform is tied directly to the number of livestream events going on at any given time where these relationships can be formed and fostered. It's a numbers game. The more people we have with stores on the platform, bringing their own friends, fans and followers, the greater the number of livestreams there will be. Revenue, of course will follow. Our focus, at least initially, is not on the revenue itself but on the environment and circumstances from which the revenue will flow.

To do this we demonstrated how the platform could accommodate multiple channels of livestreams simultaneously, allowing viewers to choose the event and associated groups they wanted to be part of in that moment. As there are more and more simultaneous livestreams happening on the platform, this will become a much more compelling and powerful draw for the platform. We also built the platform so that it could broadcast livestreams simultaneously in real time over multiple popular social media platforms exposing MARKET to those audiences and drawing them into the MARKET experience.

Here's some of the data we've compiled so far about attendance on the MARKET.live feed during the 3 days of Shopfest. I want to note that some of this data is still being scrubbed and cross-referenced so it remains subject to adjustment.

- Total views on Market.live were 45,161
- Total unique views on Market.live were 15,444 (these numbers include those who viewed and shopped storefronts but did not watch a livestream)
- Total attendance for livestreams on Market.live during Shopfest was 8,511 (this number does NOT include attendees who viewed from Facebook and other social platforms)
- Total post-Shopfest video on demand views from storefronts on Market.live as of almost a week ago, last Tuesday, August 9, was 3,408 – I imagine there's probably quite a bit more since then.

Here's some of the data we've compiled so far from the Facebook feed during the 3-days of Shopfest:

- 70,194 views from Facebook during the festival – I want to point out that this is Facebook only and Facebook's metrics that they use for their algorithms. They count a view as anything over 3 seconds.
- Notably, if we include the views after Shopfest, up to last week, we see those numbers jump to 1,219,672. Again, I assume those numbers are much greater now.
- All of the numbers I just provided to you from the Facebook feed are ONLY for the 18

shows we produced. This does NOT include the data from the other 45 livestream shows.

- We had 28,014 RSVPs for Shopfest, almost half of whom opted in for text and email updates for all MARKET livestream events.

I don't yet have confirmed engagement data during each stream, but those who watched every stream and the attendee counters for each stated that the vast majority of viewers remained engaged for more than 70% of the shows' duration and a significant number stayed on till the end of the livestream.

While this data is still being tested and confirmed, it looks like gross merchandise value generated during the event will come in somewhere between \$20,000 and \$30,000 and the average order size appears to be just over \$80. Sales in the stores are still continuing.

There is a ton of data that has been and continues to be generated and we'll be working through the best ways to mine and analyze that data in order to calculate and report ratios and identify trends.

Without exception, every vendor reported that they truly enjoyed their experience with the platform and pledged to continue their presence and participation on MARKET and most have committed to weekly shows.

Three days ago, on Friday, we implemented a new streamlined onboarding process that will help get vendors through the process much more rapidly and reduce the backlog. As you will learn in the coming weeks in my comprehensive MARKET update, this is an important well-timed improvement.

We currently have more than 300 vendors committed to MARKET, approximately half of which have open and active stores and appear in the Market.live sellers list. Of the balance that have yet to complete the onboarding process, as they get close to completing the process we place their names in the sellers list with the notation "coming soon".

The onboarding process is not in any way difficult or time consuming. However, some of the larger vendors have multiple departments responsible for providing certain of the information needed to complete the process. For example, the people responsible for providing logos and designs are different than the people responsible for uploading inventory SKUs, who are in turn are different than the people who have access to, and are responsible for providing banking and other financial information.

We have a team of people who are dedicated to helping vendors through the onboarding process and in many instances completing it for them. I get a daily report of the status of vendors who are lagging through the process and rest assured we stay on top of all of them to move them through the process as rapidly as we can. As I said before, this is a numbers game and we appreciate how important it is to get more vendors through the process and up and running hosting livestreams on the platform.

Ok so let me turn to our SaaS business report. We are, and remain the undisputed leading provider of sales enablement applications for the direct sales industry, displacing previous market leaders and would-be competitors, just as we said we would when we entered the space in 2019. Beginning at the end of the second quarter of this year, we expanded our

suite of sales enablement tools with the release of the new, innovative sales applications I told you we had in development in prior conference calls. These products, including verbLIVE 2.0 and Pulse, will not only enhance our leadership position in the direct sales space, but put us that much further ahead of the handful of would-be verb competitors.

I'm also very happy to announce that we have begun onboarding one of our direct sales clients to our MARKET platform. In no way does this replace any of the sales tools to which this client currently subscribes. Their use of MARKET represents an entirely unique and complimentary enhancement to their business and is perfectly suited to the direct sales industry generally. Post launch, I fully expect more of our direct sales clients will seek to adopt MARKET as an enhancement to their business.

Consistent with the guidance we provided previously, we expect to see the increased recurring SaaS revenue from these new products in the 3rd and 4th quarter of this year and beyond. As I have stated in our previous conference calls, our focus has been on building the very high margin SaaS recurring revenue component of our business and reducing the non-digital, non-recurring very low margin legacy component of our business.

As we began the exit from the legacy business which represented a large portion of our total revenue, investors that focused solely on the company's top line revenue misinterpreted the growth the company was actually experiencing in our SaaS business. I once again urge you to focus on the SaaS revenue component of our business and not on the revenue from a business line we have repeatedly stated we are exiting. For example, just last year, in Q2 of 2021, the legacy non-digital revenue represented 24% of our total revenue. In Q1 of this year it represented 20% of our total revenue and in Q2 of this year it represents just 10% of our total revenue. As our digital revenue continues to grow, the legacy business low margin revenue becomes a smaller and smaller component of overall revenue.

The release of these products also marked the beginning of the next phase of major operational cost reductions we've implemented as first reported in Q4 of 2021 and that continued in Q2 of this year.

You might recall that R&D expense, which had been the biggest component of our operating expense, was down 22% in Q4 over Q3 2021. We then reported a substantially greater and additional reduction in R&D expense of 42% in Q1 2022 over Q4 2021. And for the 2nd quarter of this year we're reporting an additional reduction of 13% from Q1. Specifically, R&D expenses for Q2 are \$1.4M, down from \$3.2M in the same period last year, representing a 57% reduction.

The additional revenue from the newly introduced sales enablement applications, and the revenue we expect to generate from our new verticals, including MARKET, together with a new pricing model we're about to introduce to our direct sales clients that will better align our interests with theirs creating a true win/win, coupled with these continuing cost reductions, give us confidence in our ability to achieve positive EBITDA and reduce our reliance on the capital markets.

I'm going to leave further discussion of our SaaS business results to our CFO Salman Khan so as not to take additional time on this call. Let me briefly touch on our new professional sports unit vertical. As I discussed in our previous earnings calls, in Q4 2021, we launched our professional sports unit built on our verbTEAMS sales enablement platform. We started

with the announcement of the Pittsburgh Penguins in Q4 2021, and since then, we've added many new professional sports teams to the platform and built an impressive sales pipeline of professional sports teams both in the U.S. and in other countries.

In addition to the Pittsburgh Penguins, we announced the Florida Panthers, the Phoenix Suns, and the Detroit Pistons, and we expect many more announcements. It is my continuing expectation that some of these teams will adopt MARKET as part of their fan engagement strategies.

I'll turn it over to our CFO Salman Khan for more detail around our reported financial performance.

Salman?

Salman Khan:

Thank you, Rory, and good afternoon, everyone. I'd like to review our financial performance as reported in our Form 10-Q filed today, August 15, for the second quarter ended June 30, 2022. I may reiterate and/or provide more color around some of the data points Rory shared with you.

The following compares the Company's results of operations for the second quarter of 2022 with the second quarter of 2021.

- **Total digital revenue** was \$2.2 million, an increase of 19% from the same period last year
- **SaaS recurring revenue**, a component of Total digital revenue, was \$2.0 million, an increase of 23% over the same period last year.
- **Total Digital Revenue as a percentage of Total revenue** was 90%, compared with 76% for the same period last year.
- **SaaS recurring subscription revenue as a percentage of Total revenue** was 82%, compared with 67% for the same period last year.
- **Total revenue** was \$2.4 million, up 0.3% from the same period last year
- **Cost of revenue** was \$0.8 million, down 25% from the same period last year, reflecting planned cost reductions and a continuing shift towards the Company's digital business and away from the lower margin non-digital business.
- **Gross margin** was 65% compared with 53% for the same period last year, reflecting the systematic transition of our low margin non-Digital business and increase in our Digital revenue. Our Digital gross margin was 72% compared to 69% for the same period last year.
- **Capitalized software development cost** was \$6.5 million on June 30, 2022. I want to remind everyone that following the successful completion and launch of MARKET.live, we expect to amortize the capitalized software development cost as a non-cash charge to cost of revenue over the 36-month period from third quarter of 2022 onward.
- **Research and development expenses** were \$1.4 million, as compared to \$3.2 million for the same period last year, reflecting a 57% decrease due to planned cost reductions. R&D expenses were down 13% over the first quarter of 2022.

- **General and administrative expenses** were \$6.6 million as compared to \$6.5 million for the same period last year. G&A expenses were down 7% from the first quarter of 2022 primarily due to the implementation of planned cost reductions offset by planned increases in labor costs due to the launch of MARKET.
- **Modified EBITDA¹** improved by \$2.2 million, or 30%, when compared with the same period last year. EBITDA is a non-GAAP measure and I refer you to our press release distributed today for more information and greater specificity around our Modified EBITDA analysis.

Now, let me share the financial results for the six months ended June 30, 2022 in comparison with the same period in 2021.

- **Total SaaS recurring subscription revenue** was \$4.0 million, an increase of 30% from the same period last year.
- **Total digital revenue** was \$4.3 million, an increase of 19% from the same period last year.
- **Total revenue** was \$5.1 million, up 3.5% from the same period last year, reflecting strong SaaS recurring revenue growth offset by the Company's strategic decision to continue to wind down its lower margin non-digital business.
- **Cost of revenue** was \$1.8 million, down 23% from the same period last year, reflecting planned cost reductions and a shift towards the Company's digital business and away from the lower margin non-digital business.
- **Research and development expenses** were \$3.0 million, as compared to \$6.1 million for the same period last year, reflecting a 51% decrease due to planned cost reductions.
- **General and administrative expenses** were \$13.6 million, a decrease of 2% from the same period last year primarily due to the implementation of planned cost reductions offset by planned increases in labor costs due to the launch of MARKET.
- **Modified EBITDA¹** improved by \$3.2 million, or 23%, when compared with the same period last year. Once again, EBITDA is a non-GAAP measurement and I refer you to our press release distributed today for more information and greater specificity around our Modified EBITDA analysis.
- **Cash** totaled \$5.5 million as of June 30, 2022, compared with \$0.9 million on December 31, 2021. In April 2022, the Company completed a registered direct offering with institutional investors, which resulted in gross proceeds of \$11.0 million.
- Subsequent to quarter end, **werepaid in full all advances on future receipts, reducing current debt service payments and cash burn by up to \$1.5 million per quarter.**

I'd now like to turn the call back over to the Operator for Q&A.

¹ Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations that period. Non-GAAP adjustments to our results prepared in accordance with generally accepted accounting principles ("GAAP") are itemized below. You are encouraged to evaluate these adjustments and the reasons we

consider them appropriate for supplemental analysis. In evaluating Modified EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Modified EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

In addition to our results under GAAP, we present Modified EBITDA as a supplemental measure of our performance. However, Modified EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations, or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. We define Modified EBITDA as net income (loss), plus interest expense, depreciation and amortization, share-based compensation, financing costs and changes in fair value of derivative liability.

(in thousands)	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Net loss	\$ (6,374)	\$ (11,812)	\$ (13,363)	\$ (20,157)
Adjustments:				
Depreciation and amortization	395	400	804	814
Share-based compensation	1,317	1,264	2,618	3,666
Interest expense	642	596	1,398	1,104
Change in fair value of derivative liability	(1,024)	2,445	(2,162)	1,945
Other (income)/ expense	(19)	(20)	45	(74)
Debt extinguishment, net	-	(91)	-	(1,030)
Other non-recurring	-	-	126	-
Total EBITDA adjustments	1,311	4,594	2,829	6,425
Modified EBITDA	\$ (5,063)	\$ (7,218)	\$ (10,534)	\$ (13,732)

About VERB

Verb Technology Company, Inc. (Nasdaq: VERB), the market leader in interactive video-based sales applications, transforms how businesses attract and engage customers. The Company's Software-as-a-Service, or SaaS, platform is based on its proprietary interactive video technology, and is comprised of a suite of sales enablement business software products offered on a subscription basis. Its software applications are used by hundreds of thousands of people in over 100 countries and in more than 48 languages. VERB's clients include large sales-based enterprises as well as small business sales teams, including the sales and marketing departments of professional sports teams. MARKET.live is VERB's multi-vendor, multi-presenter, livestream social shopping platform at the forefront of the convergence of ecommerce and entertainment. With approximately 150 employees and contractors, the Company is headquartered in Lehi, Utah, and also maintains offices in Newport Beach, California.

For more information, please visit: verb.tech.

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MARKET – our livestream social shopping platform: market.live

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FORWARD-LOOKING STATEMENTS

This communication contains “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties and include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as “anticipate,” “expect,” “project,” “plan,” or words or phrases with similar meaning. Forward-looking statements contained in this press release relate to statements regarding the Company's progress towards achieving its strategic objectives. Forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties, including, but not limited to (i) the COVID-19 pandemic and related public health measures on our business, customers, markets and the worldwide economy; (ii) our plans to attract new customers, retain existing customers and increase our annual revenue; (iii) the development and delivery of new products, including verbLIVE and MARKET; (iv) our plans and expectations regarding software-as-a-service offerings; (v) our ability to execute on, integrate, and realize the benefits of any acquisitions; (vi) fluctuations in our quarterly results of operations and other operating measures; (vii) increases in competition; and (viii) general economic, market and business conditions. If any of these risks or uncertainties materialize, or if any of our assumptions prove incorrect, our actual results could differ materially from the results expressed or implied by these forward-looking statements. For additional information regarding the risks and uncertainties that may cause actual results to differ materially from those expressed in any forward-looking statement, our investors are referred to our filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. All forward-looking statements in this press release are based on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

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Source: Verb Technology Company, Inc.