



Livevox

Third Quarter 2022 Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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Louis Summe, *Director and Co-Founder*

John DiLullo, *Chief Executive Officer*

Gregg Clevenger, *Executive Vice President and Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Parker Lane, *Stifel*

Quinton Gabrielli, *Piper Sandler*

Mike Latimore, *Northland Capital*

Tim Jausovec, *Credit Suisse*

P R E S E N T A T I O N

Operator

Good afternoon, and welcome to the LiveVox Third Quarter 2022 Earnings Conference Call.

Please note, this event is being recorded.

I would now like to turn the conference over to Alexis Waadt. Please go ahead.

Alexis Waadt

Good afternoon, and thank you for your participation today. With me on the call are Louis Summe, Co-Founder and former Chief Executive Officer of LiveVox; Gregg Clevenger, Executive Vice President and Chief Financial Officer; and John DiLullo, appointed CEO of LiveVox effective November 1.

Before we get started, I would like to remind you that comments made during this conference call and webcast contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties. Any statement that refers to expectations, projections or other characterizations of future events, including financial projections or future market conditions, is a forward-looking statement.

The Company's actual future results could differ materially from those expressed in such forward-looking statements for any reason, including, without limitation, those listed in the Risk Factors section of our SEC filings. LiveVox assumes no obligation to update any such forward-looking statements.

Please also note that past performance or market information is not a guarantee of future results. Certain information discussed on this conference call was derived from third-party sources and has not been independently verified; and accordingly, the Company makes no representation or warranty in respect to this information.

During this conference call, the Company will discuss non-GAAP financial measures as defined by SEC Regulation G. A reconciliation of each of these non-GAAP measures to the most directly comparable GAAP financial measure can be found in the earnings press release, which is available on the Investor Relations website, investors.livevox.com.

A recorded replay of this call, together with related materials, will be available on our Investor Relations website, investors.livevox.com. LiveVox' earnings release and Form 10-Q will also be available on the company's website.

With that, I'll turn the call over to Louis to begin.

Louis Summe

Good afternoon, everyone. Thank you for joining us.

My name is Louis Summe. As you may have seen in our prior November 1 earnings press release, this will be my last quarterly earnings call as LiveVox' CEO as I transition into the Vice Chairman role on our Board. I will continue to be focused on the technology and product aspect of our business, as I have been since I founded LiveVox over 20 years ago, as well as assisting in the transition and advising our new CEO, John DiLullo. This is an exciting time for the Company, and I'm pleased to introduce John later in the call to share his thoughts before handing the call over to our CFO, Gregg Clevenger.

Now I'd like to share with you our Q3 results and progress. Overall, while the macro environment has lengthened new logo sales cycles, LiveVox does have a number of secular tailwinds driving balanced growth, including increasing usage from credit cycle normalization, increasing digital revenue, increasing AI revenue and margin growth resulting from our public cloud infrastructure, and you'll see this reflected in our financial results.

Total Q3 revenue came in at a record \$35.3 million, up nearly 16% year-over-year and within our guidance range. I shared on our last call that we were beginning to see the expected second half increase in usage as the credit cycle begins to normalize although at a slower rate than originally anticipated. Data from the New York Fed and Moody's Analytics are showing a more steady, gradual increase in first-party delinquencies that will ultimately flow through to third-party defaults and ultimately benefit us.

I am excited to share that our non-GAAP gross margin was 66.3% and our adjusted EBITDA came in at negative \$1.5 million, both significantly ahead of guidance. As noted previously, much of this can be attributed to moving 100% of our customers to the public cloud. Further, we believe our gross margin will continue to increase in the quarters ahead as we use auto scaling to lower compute cost and automate infrastructure operations to reduce indirect cost of sales. Another significant advantage to our public cloud infrastructure that I think it is important to point out is that it brings our Capex spend to de minimis levels. In contrast, others in our space have Capex spends as much as 10% of revenue. This is ultimately a key competitive advantage for us on both cost and performance.

I'm also pleased to share that our digital revenue continues to expand. Digital revenue is up over 54% year-over-year, and messaging revenue is up over 58% year-over-year. Additionally, our AI virtual agent bookings were more than double quarter-over-quarter. Non-voice revenue continues to trend at approximately 25% of our revenue.

Also of note, our pipeline has increased more than 34% year-over-year, buoyed by enterprise deals and customers looking to expedite their digital transformation through increased digital channels, automated agent workflows, and AI virtual agents. While this increase is encouraging, and we continue to see more opportunities, it's important to note that the economy appears to have lengthened the sales cycles for new logos, consistent with what we have heard from industry analysts.

During our last call, I shared that we optimized our organization and pivoted to a balanced growth strategy, as has been demonstrated in the numbers we're sharing today. As part of that strategy, I also shared that we're focusing our go-to-market efforts on continued development in the channel and our partner ecosystem as well as the tremendous opportunity for growth within our existing customer base. I'm pleased to share that this strategy has had a positive impact on our business.

First, while our pipeline has grown 34% year-over-year, channel opportunities now represent a much larger share of that number. We continue to see the channel as an important part of our new logo growth and expansion.

Second, I mentioned last quarter that we see an approximate \$2 billion in upsell opportunity with our existing customer base; that number continues to grow as we add new customers and roll out new AI and digital products. In Q3, we closed several large existing customer upsells, some that I'll share more about in a moment.

As noted last quarter, we're excited about our continued growth in new logo opportunities, but we're laser focused on closing existing customer upsell opportunities, as it is a faster, more cost-effective sale and tends to convert to revenue more quickly, which has helped expedite our path to profitability.

I'd now like to share a few new logo wins and notable existing customer upsells. The first new logo is a subprime auto lender that was on a legacy platform that will soon be unsupported. It was imperative to them to be with one vendor and to be able to deploy their 100 agents rapidly. They purchased 13 products, including our compliance tools, WFM tools, and our Salesforce Connector.

Next is a new large BPO customer with 10,000 agents globally that deployed LiveVox for 180 of their agents focused on sales and customer retention. They migrated from a legacy on-prem system. Our competitor for the opportunity could not equal our offering, especially because the customer needed to be up and running in five weeks. We are excited by the potential to expand into the remaining 10,000 agents with this customer in the quarters ahead.

One of our largest upsells for the quarter is in the travel and tourism sector. They are currently with an on-prem provider, but find our products so compelling, they've moved to us prior to the expiration of their existing contract. They have multiple care groups. They started with one group with approximately 140 agents and have just added their fourth group, bringing the total number of agents to over 500. They are running nine products on the platform and have plans to continue to add LiveVox capabilities as they roll out to more groups next year.

Finally, one of our largest customers added four more products, for a total of 19 LiveVox products purchased. Of note, they are in the early stages of deploying our AI virtual agents to their platform. Key to them was the differentiation advantages of our virtual agent approach, more specifically, our ability to monitor virtual agents the same as human agents, providing a much quicker path to optimization and our ability to seamlessly transition from the virtual agents to a human agent without losing the customer info already provided in the call, a huge customer experience advantage.

Now I'll provide a brief update on our technology and platform. As mentioned during the past couple of earnings calls, moving 100% of our customers to the public cloud continues to have a positive impact on gross margin that we expected. Not only is it a significant contributor to our expedited path to profitability, it is a significant investment that most of our peers have yet to undertake. This is in addition to the

benefits of faster development and deployment cycles and, even more importantly, the increased reliability and uptime of our platform.

One of the benefits from our latest platform release that we're very excited about is how it's helping our customers substantially improve and automate their agent workflows. This refers to the ability for our contact center agents to quickly and easily navigate their applications and systems to efficiently address customer needs.

Essentially, LiveVox' agent desktop orchestration capabilities eliminate the complexity and burden of pulling together multiple systems and data streams through an easy-to-create, easy-to-modify workflow solution that helps contact center leaders more effectively optimize their operations while enhancing both the agent and the customer experience.

This is appealing to both mid-market and enterprise customers. It's helping drive additional product sales for us to existing customers and proving to be an excellent strategic lever during prospect conversations.

In summary, I believe we continue to make strong progress in Q3. Through the combination of migrating to the public cloud and pivoting to a balanced growth strategy, we've significantly improved both gross margin and EBITDA while posting a record revenue quarter through both new logo and existing customer upsells. As I mentioned earlier, while the macro environment has lengthened new logo sales cycles, LiveVox does have a number of secular tailwinds driving balanced growth, including increasing usage from credit card normalization, increasing digital revenue, increasing AI revenue, and margin growth resulting from our public cloud infrastructure.

Further, there's an estimated \$250 billion of labor spend in the contact center market that CCaaS providers like us are driving to automation through AI. LiveVox is very well positioned to capitalize on this opportunity.

I'm exceptionally proud of what we've built and continue to believe in our ability to succeed and drive shareholder value. I want to thank everyone at LiveVox for their hard work and dedication, our Board and, of course, our customers. I look forward to my new role as Vice Chairman of our Board and helping the Company for years to come.

Now before I hand the call over to Gregg to go over our financial results in more detail, I would like to introduce John DiLullo, our new CEO at LiveVox. John has a compelling mix of relevant technology and commercial industry experience and is well equipped to carry LiveVox into the next phase of growth.

John.

John DiLullo

Thanks, Louis. I sincerely appreciate all of your support and collaboration through this transition. I am very pleased that we'll continue to benefit from your many insights and experience as a Board member and your expertise in helping us to drive our product evolution.

I'd also like to thank everyone that is joining this call and for all of the kind words from investors, customers, partners and employees that I've received since last week's announcement. I'm thrilled to join LiveVox at such a pivotal time and to help guide the Company to its next exciting chapter.

LiveVox is in a vibrant space. We have leading-edge cloud-based technologies, loyal customers and plentiful opportunities. In my short time with the Company, I've become more and more confident that I'll be able to help the LiveVox team reach its full potential in the next stage of its growth and financial performance. My 10 years' experience in unified communications and contact centers has made me acutely aware of the challenges many of our customers face in deploying omni-channel customer solutions at scale in hybrid and distributed agent environments. I am certain that my insights here will help

LiveVox to coalesce our development efforts in the areas of greatest customer need and segment viability.

LiveVox' elegant deployment of artificial intelligence and machine learning solutions is very reminiscent of the AI-based innovations and successes my prior company enjoyed before its acquisition by VMware in 2020. Similarly, the 100% public cloud architecture at LiveVox is a huge competitive advantage and has innumerable practical benefits for customers. Surfacing and educating customers about these advantages is also familiar terrain for me and echoes the opportunities and go-to-market successes that I enjoyed while operating 1,000-plus person go-to-market organizations in two prior companies.

Perhaps most importantly, I feel that my time spent both in fast growth venture companies as well as more disciplined profit-seeking private equity enterprises has given me a unique appreciation for how to manage thoughtfully within a balanced growth framework, such as the model we have embraced at LiveVox.

Out of the gate, there are three key areas that I believe provide LiveVox the opportunity to grow sales while embracing our guiding principle of balanced growth and EBITDA expansion.

The first area is further leveraging our existing AI products that help our customers automate and expand their customer service capabilities. As Louis mentioned, the agent automation opportunity is enormous, and it's one we're uniquely positioned to capitalize upon.

Second, given my background living and working overseas, I'll be very focused when the time is right on working with the team to grow our international footprint and capabilities by leveraging our scalable, high-availability public cloud infrastructure.

Finally, I plan to place immediate emphasis on building our partner and alliance relationships, creating a more extensive ecosystem, as I've done successfully in several previous roles. Leveraging channels and alliances is fundamental to serving our customers effectively and to our continued success.

As I've learned more about LiveVox' technology and team over the past few weeks, I've become even more excited about this opportunity. I look forward to sharing with all of you in the coming days my thoughts and plans for our continued growth and success.

Now I'd like to turn over the call to LiveVox' Chief Financial Officer, Gregg Clevenger.

Gregg.

Gregg Clevenger

Thanks, John, and good afternoon, everyone.

I'll start off by reminding you that all non-GAAP financial figures that I discuss on the call today are reconciled in a presentation posted on the Investor Relations section on our website, in our press release issued just prior to this call, and in our 10-Q.

Our total revenue for the third quarter was \$35.3 million, 16% higher than the third quarter of last year and 7% higher than last quarter and within our guided range of \$35 million to \$36 million. Our contract revenue was strong for the third quarter at \$28 million, which is 21% higher than the third quarter of last year, 5% higher than last quarter, and at the high end of our guided range of \$27.5 million to \$28 million.

Our excess usage revenue in the third quarter, however, was softer than we expected at \$7.3 million, down 3% year-over-year, up 17% from last quarter, but below the low end of our guided range of \$7.5 million to \$8 million, driven both by a slower recovery curve in core usage versus our expectations, as well as lower professional services revenue than we had previously forecasted for the quarter. The \$7.3

million of excess usage revenue included an unexpected onetime \$500,000 payment for the early termination of a contract with a customer that had been acquired, without which the excess usage revenue would have been \$6.8 million in the quarter.

Core voice and data usage continues to steadily strengthen in our collections and credit account servicing customers, in line with the positive broader credit market indicators of growing credit card balances and higher credit card delinquency rates, and we expect this trend to continue as the current economic environment evolves. As overall usage continues to strengthen, we are seeing more interest from some customers to increase their contractual commitments with us, which has the effect of increasing contract revenue at the expense of excess usage revenue.

This had some marginal impact on our third quarter results, the relative strength in contract revenue and weakness in excess usage revenue, and we are expecting this trend to continue as collections and credit account servicing activity increases. This has been considered in our fourth quarter guidance as well, which I'll get to in a minute. Because of this trend that we have begun to see and the expectation that it will continue as usage volumes on the platform continue to increase, we believe that it is becoming less informative to focus on the contract and excess usage revenue components of our revenue, with total revenue being the more relevant metric to focus on.

Our net revenue retention strengthened in the third quarter, improving to 109% versus 107% in the third quarter of last year and 108% last quarter. Our adjusted gross margin for the third quarter improved to 66.3%, an increase of 210 basis points versus last quarter and our guidance for this quarter as we continue to drive cost efficiencies now that we are 100% on the public cloud.

Our Adjusted EBITDA for the quarter was a negative \$1.5 million, a \$4.1 million improvement from last quarter and better than our guided range of negative \$3.6 million to negative \$2.6 million, driven by \$2.2 million of sequential improvement in adjusted gross margin and \$1.9 million of sequential improvement in operating expenses as we continue to actively manage our cost structure towards profitability and optimize for balanced growth.

Our GAAP earnings per share for the quarter were negative \$0.08 per share on both a basic and diluted basis versus a negative \$0.12 per share in the third quarter of last year. Our Capex for the third quarter totaled \$108,000 for total year-to-date Capex of \$880,000, reflecting the highly capital-efficient nature of our 100% public cloud product platform and helping us to manage our cash burn for the quarter to \$7 million, resulting in a quarter ending balance in cash and cash equivalents and marketable securities of \$70 million versus \$77 million at the end of last quarter. Lastly, we ended the third quarter with \$55 million of debt, essentially flat versus last quarter.

With that, let's talk about our forward-looking guidance. You all, no doubt, saw that we partially reiterated and revised our full year guidance in the press release last week, so I want to spend today giving a little more color and providing specific guidance for the fourth quarter.

First, I'll start with revenue. We expect total revenue to be \$33.7 million to \$35.2 million for the fourth quarter, 6% to 10% higher than the fourth quarter of last year, which, as you will recall, only had one month of the lower usage resulting from the 7x7 regulatory change that took effect on December 1 of last year. So that would total \$134 million to \$135.5 million for the Full Year 2022, 12% to 14% higher than the Full Year 2021.

In terms of the components of total revenue, we expect fourth quarter contract revenue to be between \$28 million and \$29 million, 15% to 19% growth over the fourth quarter of 2021, and totaling between \$108 million and \$109 million for the full year, 19% to 20% higher than the Full Year 2021.

We expect excess usage revenue to be between \$5.7 million and \$6.2 million in the fourth quarter, down 18% to 24% versus the fourth quarter of last year, again, impacted by the tough 7x7 comparison to last year, and slightly lower than last quarter when adjusted for the \$500,000 early contract termination

payment I mentioned earlier, which is largely reflective of the normal seasonal pattern of usage on our platform.

While we believe we will continue to see improvement in core voice and data usage from our collections and credit account servicing customers, just as we experienced in the third quarter, we don't expect it to be at the levels we had previously assumed for the quarter, nor do we expect our professional services revenue to be at the level that we had previously forecasted, as I mentioned earlier. For the Full Year 2022, excess usage revenue is expected to total \$26 million to \$26.5 million, which would be 8% to 10% lower than the Full Year 2021.

We expect our adjusted gross margin in the fourth quarter to improve to 67% as we continue to optimize our AWS and telco costs and scale on the public cloud infrastructure. We still expect our Adjusted EBITDA for the fourth quarter to be positive, as we indicated last quarter, excluding the impact of the additional expenses we will incur related to the CEO transition, which wasn't anticipated when we gave that guidance last quarter.

The total incremental expense of the CEO transition in the fourth quarter is expected to be approximately \$600,000; including those expenses, we may not quite achieve positive Adjusted EBITDA in the fourth quarter. Nonetheless, we expect that, even including those additional expenses, our Adjusted EBITDA will still fall between negative \$17 million and negative \$15 million for the full year, as we have previously guided and as we reiterated in the press release last week.

With that, Operator, please open the line for Q&A.

Operator

Thank you. The first question comes from Parker Lane with Stifel.

Parker Lane

Yes. Hi. Thanks for taking my question. Pretty nice inflection in the digital revenue component of the business, in particular, virtual agents.

I wonder if you could talk about some of the drivers of the adoption there and whether or not we should think about that as an augmentation of the actual human sitting in the contact center or if companies are looking at an opportunity to sort of rationalize headcount and virtual agents are a great avenue for that.

Louis Summe

Hi, Parker. How you are doing? It's Louis.

I think it's a combination of both, and people are feeling pressure when it comes to recruiting. They're feeling pressure when it comes to retention in the contact center market. They are eager to find forms of automation that can enable them to do more with fewer people while still delivering a high level of customer experience and customer satisfaction; both digital and AI are very helpful tools for them to get there, and that's what they're investing in.

Parker Lane

Got it. Then on the go-to-market headcount, I know last quarter, you talked about a greater emphasis on expansion than net new given the elongation of sales cycles out there. When I look at that downtick now for a few quarters, how should we think about the go-to-market capacity going forward? Do you feel like that's an area where you'll continue to see more rationalization from a cost perspective? Or are you at a point where capacity is in a good spot?

Gregg Clevenger

This is Gregg, Parker.

We feel like we're in a good spot in terms of capacity. As we talked about before, we did reduce some headcount. It didn't really impact our productivity, our ability to achieve our bookings plans, so I think we're pretty well set for where we want to be.

Parker Lane

Understood. Appreciate it. Thanks for taking the questions.

Gregg Clevenger

Sure.

Operator

The next question comes from Jim Fish with Piper Sandler.

Quinton Gabrielli

Hey, guys. This is Quinton on for Jim Fish. Thanks for taking the questions. First, Louis, I wanted to say it was great working with you. Good luck on your next venture here. John, really looking forward to getting to work with you.

First, from a competitive standpoint, are you guys seeing accelerated win rates, especially given the end-of-life announcement from some of the competitors, especially with that on-premise offering? Really, any sort of competitive color would be helpful here.

Louis Summe

Yes, Quin, thanks.

We are definitely seeing a shift in the pipeline towards on-prem platforms where people are looking to move to the cloud; certainly, people announcing end of life on on-prem platforms is an impetus for those conversations, so that's absolutely a driver there.

Quinton Gabrielli

Got it. Then usage revenue is something that has been pretty hard to pin down in the past and seems like it's only getting harder here giving those kind of moving pieces between contract and usage revenue.

What gives the team confidence that we have the right level of conservatism baked into these targets we've set maybe compared to prior estimates both from kind of the total revenue standpoint as well as the mix between usage and contract?

Gregg Clevenger

Yes. I think that just as we continue to see strength in overall volume, it makes it easier for us to forecast the total revenue as opposed to the pieces of the revenue, and that's kind of why we are signaling we want to kind of flip this on its head a little bit and focus more on the total revenue piece, because it is more difficult to kind of handicap how that revenue is going to fall in—hard enough in a quarter, but kind of projecting out longer term as to how customers are going to react to their increasing volumes and how

they want to balance between what's under contract and what they want to take on the risk side in terms of excess usage.

I think we're—we have a good eye on the total revenue, and that's kind of where we want to focus. I feel good about what we've guided to for the quarter.

Quinton Gabrielli

Great. Thank you for taking the questions.

Operator

The next question comes from Mike Latimore with Northland Capital.

Mike Latimore

Hi. I'm on for Mike. I have a couple of questions with me.

The first one is how many sales people do you have now?

Gregg Clevenger

We don't actually disclose the number of salespeople. It's a definitional issue, but we have 179 people in our go-to-market organization broadly, which includes sales and marketing and all of the people involved in the overall process of acquiring customers.

Mike Latimore

Okay. Are sales cycles elongating? And if so, by how much?

Gregg Clevenger

I'm sorry, could you repeat that?

Mike Latimore

Are sales cycles elongating? And if so, by how much?

Gregg Clevenger

That's a hard thing to measure, but it could be as long as doubling, from what we've experienced in the past year or two.

Mike Latimore

Okay. Are they affecting new logos, or upsells?

Gregg Clevenger

More impacting new logos than upsells. Upsells are more predictable and do continue to have shorter sales cycles than new logos do.

Mike Latimore

(Multiple speakers). I have one question. I have one last question for the new CEO. Are there key changes you intend to make? And if so, what is your time line for doing that?

John DiLullo

Thanks.

I've really been pretty impressed with the direction of the Company and what people are working on, especially in the area of product and the way that we are supporting our customers. I think we will start to look at some ways to get better leverage out of the sales organization, though, and a couple of the areas there I talked about already: one is expanding the customers that we're able to reach and service with our channels. Again, this is a high leverage, low-cost thing that I believe we can do, and then also just amplifying, for all of these customers that currently have these on-premises environments, the benefits of moving to the cloud and how elegantly they can do that with us.

I think those are the two areas, and they're both relatively high leverage. Otherwise, I'm very much aligned with the direction of the Company and going to keep moving in those directions.

Mike Latimore

All right. Thanks. That's it for me.

John DiLullo

Thank you.

Operator

Next question comes from Fred Lee with Credit Suisse.

Tim Jausovec

Hi. This is Tim Jausovec on for Fred. John, congratulations on the new role, and we look forward to working with you. Louis, it's been a pleasure so far, and looking forward to working with you in a slightly different capacity as well.

In terms of our questions, first off, it sounds like there has been a slight shift in how customers consume your platform, perhaps increasing their contractual commitment to the expense of the potential access usage. Could you maybe unpack for us more to what the trends are that are driving that pattern?

As you think about the long-term trajectory of the business and long-term usage patterns, are there any conclusions you're able to start to draw as to what that usage multiplier might look like over a longer period of time given the new usage trends?

Louis Summe

Yes. I'll add a little bit of color, and then I'll let Gregg jump in.

One of the things that is happening is, as we sell more digital products and more AI products to our customer base, the way that they are consuming the platform is changing a little.

Gregg Clevenger

Yes. In certain areas of our customers, particularly around the credit origination and collection side, the volumes are definitely picking up, as we've signaled and as we see in the statistics from Moody's and whatnot and what you can see anecdotally in what's going on in the world.

As that happens, the tendency is for them, as they see that they're using the platform more, that they have the opportunity, they have more buying power in the market, right? So they have the ability to flex some leverage on their vendors, so they'll come to us, and they'll want to get lower pricing for their volume. In return for that, we're going to want for them to commit to more and to extend contracts, so that's kind of the dance that tends to happen when customers start to use the platform a lot more than what they're currently contracted for.

In this environment, as we're seeing in that particular segment of the market, as we're seeing that evolution happening, we're seeing more and more that those customers want to have those conversations with us, so that's why it makes it less—it's just tougher to predict how that is going to continue to play out going forward, which is why we want to deemphasize the bifurcation of the revenue.

Tim Jausovec

As a follow-up, last quarter, you started talking about reprioritization of growth from existing customers, to some degree, the trade-off to new customer growth. Based on the commentary that John provided at the start of the call as well as the press release, it sounds like you now see opportunity in new customer growth or growth from new customers, which might not have been as apparent last quarter. Just curious about the internal discussions you've had and what the shift that you're seeing in the market is that made you perhaps reprioritize new customer growth as well.

John DiLullo

It's Tim, right?

I made the comment, so I'll just say there's opportunities for new customers as people leave their heritage on-premises environments. We have a product cycle right now that is very favorable for our installed base of customers, which is a main focus of the teams right now, is getting our customers to embrace our next-generation, our AI capabilities in their system. That makes them much stickier and happier and more productive.

Always there's two, and right now, we happen to be in a product cycle that makes selling into the installed base very favorable for us. We're always looking for new customers as well.

Tim Jausovec

Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Louis Summe for any closing remarks. Please go ahead.

Louis Summe

I just want to say thank you to our employees, to our customers, to our Board for a great quarter, and thank you all for joining us today.

Operator

The conference has now concluded. Thank you for attending today's presentation.