



**LiveVox**

**Third Quarter 2021 Earnings Call**

**November 11, 2021**

## 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**, *Chief Executive Officer and Co-Founder*

**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

**Mike Latimore**, *Northland Capital Markets*

**James Fish**, *Piper Sandler*

**Tom Roderick**, *Stifel*

**Koji Ikeda**, *Bank of America Merrill Lynch*

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

### Operator

Good afternoon, and welcome to the LiveVox Holdings Third Quarter 2021 Earnings Call.

Please note this event is being recorded.

I would now like to turn the conference over to Alexis Waadt, Head of Investor Relations. Please go ahead.

### Alexis Waadt

Good afternoon, and thank you for your participation today.

With me on the call are Louis Summe, Chief Executive Officer and Co-Founder of LiveVox, and Gregg Clevenger, Executive Vice President and Chief Financial Officer.

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 those listed in its 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 of 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](https://investors.livevox.com).

A recorded replay of this call together with related materials will be available on our Investor Relations website, [investors.livevox.com](https://investors.livevox.com). LiveVox's 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, and thank you for joining us.

My name is Louis Summe. I'm the CEO and Co-Founder of LiveVox. This is our second earnings call as a public company, and I'm pleased to share very strong third quarter results. We had record revenue in Q3 of \$30.5 million, \$0.5 million above the high end of our guidance range and up 20% year-over-year. Contract revenue was \$23.1 million, just above the high end of our Q3 guidance range and up 26% year-over-year.

I'm also pleased to share that we're on track to have our strongest bookings year ever. In fact, Q3 was our best bookings quarter in Company history, and more than 60% of those bookings were from new logos. We also booked our largest new logo deal ever this quarter with ARR of \$3.3 million. The tailwinds that are fueling this growth of the CCaaS market, and its expansion towards a TAM of \$80 billion, are as powerful as ever. Strong interest in our next-generation CCaaS platform has been driven by technology refresh mandates from both legacy on-premise solutions as well as first generation cloud platforms.

This opportunity is largely driven by disruption in the marketplace that was triggered by the pandemic. While e-commerce growth was already driving increased demand for contact center services, the pandemic served as a significant accelerator, creating a new 'new' that is likely here to stay. However, just as the need for services is increasing, contact centers are facing labor shortages and hybrid workforce demands, all while trying to meet increased consumer expectations for strong service. The solve for this new reality is to lean in on technology.

As a result, the industry bar has been raised. Contact center solutions in demand today require sophisticated modern technology that seamlessly works together, including blended omni-channel communications, digital and AI to help facilitate self-service and automated workflows, modern workforce engagement tools to help support the new reality of hybrid on-site and remote workforce, and unified customer data that is optimized for omni-channel engagement.

These demands drive the need for a comprehensive integrated solution versus a hodgepodge of vendors that constrain IT resources, drive up costs, increase time to market, and create further complexities for contact center leaders. Clearly, a converged CCaaS platform is the future of the contact center for clients

who want to work with fewer vendors on a natively integrated platform with advanced features and functionality that are easy to implement and easy to optimize.

Through our public cloud development strategy, LiveVox is in a strong position to provide enterprise contact centers a roadmap for success now and in the future. I'm encouraged to share that the enterprise sales are driving more and more of our bookings. For clarity, we're defining enterprise sales as organizations that are taking 10 or more of our products, including voice, digital channels, AI, our contact center CRM, workforce engagement products, and more.

Our two largest deals in Q3 were full enterprise blended omni-channel sales with ARR of \$3.3 million and \$1.9 million respectively. There are three key points of differentiation in our offerings that are driving this.

First, our blended inbound and outbound voice and digital capabilities are proving to be a real strength. Blending capabilities are core to approximately 70% of large enterprise contact centers, and our expertise in this area is proving to be valuable.

Second is our contact center CRM. As we've noted before, having the ability to unify communication channels and data seamlessly throughout the customer journey is a game changer for both the agent and customer experience.

Third is our ability to provide all the essential capabilities an enterprise contact center needs, out of the box, easy to deploy, and easy to optimize. It's also interesting and important to note that while we've historically talked about winning against on-premise providers, in Q3 we had multiple instances of displacing incumbent cloud providers. We view this as further proof that an out-of-the-box competitively priced, all-encompassing solutions, such as LiveVox is highly desired in the marketplace.

Given the market opportunity in front of us, we continue to invest in our go-to-market efforts. Our sales and marketing headcount continues to grow with seasoned industry professionals and we remain on track to meet our hiring targets, which will be important drivers of revenue in 2022 and 2023. We've also continued to make significant progress in the channel.

As a reminder, our go-to-market strategy was primarily direct until earlier this year. Our relationship with master agents is meeting expectations. We recently signed a third channel partner, which we'll announce soon, and now have a strong leadership and marketing team in place to support our channel partners' future growth.

Q3 was also another milestone quarter for product innovation. Our latest product release, U17, significantly increases our ability to deliver a full enterprise platform for both new and existing customers, which of course also drives our ability to increase revenue per customer. Some of the new features in this release include advanced ticketing, more robust business intelligence, back office and branch location support and increased workforce engagement tools, all integrated into our purpose-built contact center CRM.

Of note, the adoption of agent desktop tools and our contact center CRM was across more than 70% of new logos in the quarter. Delivering an exceptional customer experience in today's environment requires properly enabling all customer facing employees, including back office and branch locations. Driven by AI, automation and customer data, U17 provides all the necessary applications needed for all stakeholders involved in providing an exceptional, seamless customer experience. Through our recently announced SmartStart Master Portal, new customers now have the ability to be up and running in days, not months, through better integration and customer training tools which are available on day one.

This of course significantly increases speed to value for our customers. Ultimately, these innovations and advancements continue to enable our enterprise customers the ability to deploy a complete customer service platform to solve customer problems, create brand awareness and drive revenue while providing a superior customer experience.

Now I'd like to share some of our key Q3 customer wins that I think demonstrate the enterprise success that we're having.

The first is a large U.S. automotive tire retailer. They have a vision to completely transform their contact center strategy. The patchwork solution provided by their existing three cloud vendors cannot accomplish their objectives. Their vision required a blended inbound/outbound solution to ultimately provide complete communication capabilities across their customers' lifecycle. They purchased a suite of 18 products, including our contact center CRM, business intelligence, and WFM, enabling the performance of their hybrid workforce and facilitating future new product launches.

The second is a large national financial services company. They partnered with us on a multi-channel solution in 550 physical retail stores as well as their hybrid contact center. They purchased 10 products anchored in blended omni-channel voice and digital as well as AI and analytics functionality. This enterprise-wide solution displaced 13 technologies supplied by 10 vendors, including two key cloud competitors.

Finally, an existing customer, a global digital payments provider serving over 200 markets, was using LiveVox and another vendor for blended communications. They signed a large deal this quarter to consolidate all their inbound and outbound communications on LiveVox and added speech analytics and business intelligence capabilities for a total of 13 LiveVox products. Again we're very pleased with the quarter and we remain excited at our prospects of a strong finish in Q4.

Thank you, and I'll now turn it over to our CFO, Gregg Clevenger, to review financials.

**Gregg Clevenger**

Thanks, Louis, and good afternoon, everyone.

I'll start with our third quarter revenue results and a reminder that all non-GAAP financial figures that I discuss are reconciled in the Investor Relations section on our website.

Our total revenue for the third quarter was \$30.5 million, 20% higher than the third quarter of last year and 6% higher than last quarter, underpinned by continued strength in our contract revenue, which was \$23.1 million for the third quarter, 26% higher than the third quarter of last year and 3% higher than last quarter. Contract revenue remained strong and predictable, underpinned by strong new sales bookings and our continued healthy net revenue retention, which improved to 107% for the quarter versus 105% last quarter.

Our new sales bookings, which are new added annual revenue commitments under contract and are driving our strong contract revenue growth and our confident outlook in that regard, continue to be very strong in the back of record bookings in this quarter. We continue to see strong momentum in our pipeline, which we believe will continue to drive sustainable growth in our contract revenue going forward. The average number of products signed up for by new logos in the quarter was 5.8 on average, higher than last quarter's average of 5.4, and overall our new logos so far this year have signed up for more than 25% more products on their first land deal than the same period last year.

Even more exciting, the average annual contract revenue for new logos so far this year is \$330,000 per year versus \$180,000 per year over the same period last year, demonstrating that our new customers are getting larger and they're finding value in more of our products. Excess usage revenue totaled \$7.5 million for the quarter, 4% higher year-over-year and 14% higher than last quarter.

The usage multiplier for the third quarter, and remember that's total revenue divided by contract revenue, was 1.32x. While that's lower than the 1.39x in the third quarter of last year, and of course lower than the 1.55x pre-pandemic norm, it was a little higher than the 1.29x measured last quarter. This measure has fluctuated from month to month, and we still remain cautious about when and how quickly we'll see it improve from here.

Our adjusted gross margin for the third quarter was 59.5%. That's a decline of 220 basis points versus last quarter, driven primarily by some lower margin implementation revenue as well as higher AWS costs as we continue to build capacity to migrate the last of our customers from our own data centers to our public cloud platform on AWS. Our Adjusted EBITDA for the quarter was a negative \$6.3 million versus a positive \$2.7 million in the third quarter of last year and a negative \$2.6 million last quarter, continuing to reflect the aggressive investments we're making across the business to drive new sales bookings and contract revenue growth.

Our earnings per share for the quarter were at negative \$0.12 on both basic and diluted basis versus breakeven in the third quarter of last year, again reflecting our aggressive spending to drive top-line growth. Our Capex for the quarter totaled \$600,000, now totaling \$1.2 million year-to-date.

Lastly, we ended the quarter with \$55 million of debt, same as last quarter, and \$105 million of cash. Remember, while we ended last quarter with \$161 million of cash on the balance sheet, I pointed out on the call last quarter that we were still holding about \$36 million of cash at June 30 related to the SPAC deal that still had to be paid out. I bridged you down to \$125 million of pro forma cash as of the end of last quarter.

For this quarter in addition to cash consumed from operations, working capital and servicing our debt, we paid about \$7 million as final consideration for the BusinessPhone acquisition that we closed earlier in the year.

Finally, our forward-looking guidance. Overall, we're maintaining both our implicit fourth quarter revenue guidance and our 2022 preliminary revenue guidance that we provided to you last quarter. More specifically, we expect our contract revenue to land between \$23.9 million and \$24.4 for the fourth quarter, 19% to 22% higher than the fourth quarter of last year, which was higher than a typical fourth quarter as a result of political dialling associated with the 2020 Presidential election cycle. This would result in contract revenue for the full year between \$90.1 million and \$90.6 million, or 25% to 26% higher than the full year 2020.

We expect our excess usage revenue to be between \$7.3 million and \$7.8 million for the fourth quarter, again consistent with our implicit fourth quarter guidance from last quarter, which would result in excess usage revenue for the full year of \$28.5 million to \$29 million, 6% to 7% lower than 2020, as a result of the continued impact of the pandemic on that component of our revenue.

That all gets to total revenue of \$31.2 million to \$32.2 million for the fourth quarter and \$118.6 million to \$119.6 million for the full year, 16% to 17% higher than the full year 2020 and higher than the full year guidance that we provided last quarter of between \$117 million and \$119 million.

For the full year 2022, while we're still not providing formal guidance, we do reaffirm a minimum year-over-year growth rate and contract revenue of 25% based on our recent bookings momentum, and we continue to take a wait and see approach to the excess usage revenue.

With that, Operator, can you please open the line for Q&A?

**Operator**

Thank you. Your first question comes from Mike Latimore with Northland Capital Markets. Please go ahead.

**Mike Latimore**

Great. Yes. Thanks very much, and congrats on the nice bookings momentum and the big deals in the quarter.

**Louis Summe**

Thank you.

**Mike Latimore**

You gave you gave a little more description about those two large deals. There were other cloud providers present. I guess, relative to those cloud providers, what was the main reason you think you won kind of these two big deals?

**Louis Summe**

Well, I think that our blended omni-channel capability is really starting to be kind of more known in the market as a clear differentiator for LiveVox. When I say blended, what I'm referring to is both inbound and outbound workflows as well as both voice and digital channels. Putting all that together really kind of frankly plays to LiveVox's strength. We got a lot of experience doing that. I think people are more starting to recognize our skill and our expertise there.

**Mike Latimore**

Great, and it sounds like you're on track for sales headcount hires. How's the productivity of sales people kind of evolving this year?

**Gregg Clevenger**

Hi, Mike, by the way.

We're right on track with the overall hiring plan and ramping up sales people. We're getting great contribution from people that we've hired over the course of the year and are bringing them up to speed. We feel really good about it. It's really translating into bookings. As Louis said, we had the biggest quarter we've ever had in terms of bookings in the third quarter.

**Mike Latimore**

Just last one, what percent of revenue was professional services?



**Gregg Clevenger**

I believe it was about 2% or something. Yes. Implementation services, kind of broadly speaking, whatever revenue we get out of out of implementation services, mostly professional services.

**Mike Latimore**

Yes. Thanks a lot.

**Louis Summe**

Thank you.

**Operator**

Thank you. Your next question comes from James Fish with Piper Sandler. Please go ahead.

**James Fish**

Hi, guys, nice quarter.

You guys keep getting record bookings, and it was another record bookings quarter here. Can you just remind us all how long it takes until you typically get deployment post-signing and at what point the customer is actually fully deployed to their booked contract?

**Gregg Clevenger**

Yes, typically, it is all over the map, depending upon size and complexity of the customer and the booking. How many products they take, etc. But in general, we assume an 90 day implementation from booking until revenue, and usually, with limited exceptions, we are billing on that 90th day, let's say when the contract period starts at the minimum. So there's not really a ramp period. Like I said, some are a lot faster and some are a little longer than that. But on average, that's kind of how we're converting bookings to revenue.

**James Fish**

That's very helpful, Gregg. On those two record deals, or at least the \$3.3 million one, was, I assume, one of the deals that we talked about was that \$3.3 million deal. Is that right, and any way, you can kind of point to which one, just so we understand kind of where you're seeing the strength with the larger deals? Can we also understand how many seats, who you guys actually baked off against or replaced? At a higher level just as a lead indicator for all of us, what did actually ARR grow this quarter in full?

**Louis Summe**

Yes, the largest deal, Jim, was a financial services company. Again, I think the primary reason they came to us was, again, for those blended omni-channel capabilities, the inbound/outbound, the voice of the digital capabilities all kind of synchronized. As we mentioned in the call, we did defeat a cloud competitor in that scenario, and that actual particular one it was in contact. I think that answered part of your question.

**Gregg Clevenger**



You ask about ARR, also. We actually have not disclosed what ARR is as an ongoing metric.

**James Fish**

Okay, great. Last one for me is just can you guys talk about linearity in the quarter?

**Gregg Clevenger**

Can you elaborate?

**James Fish**

How is the quarter in terms of winning those newer customers? Was it more in the front end of the quarter, kind of July, August, or was it more back end in September?

**Louis Summe**

Yes, as you would expect, like most software companies, the bookings in general come in towards the end of the quarter. With that said, we do have bookings that are starting to flow in by the middle of the quarter. But I would say that, as we look forward, we simply see a sort of constantly expanding pipeline. Our pipeline is growing bigger every quarter. That's really what's driving the bookings up; but in general, they're coming in the back half of the quarter as you would expect.

**James Fish**

That's helpful. Thanks, guys. Great quarter.

**Louis Summe**

Thank you.

**Operator**

Thank you. Your next question comes from Tom Roderick with Stifel. Please go ahead.

**Tom Roderick**

Hi, everybody. Thank you for taking my questions. Great results. Appreciate it.

Louis, I guess I'll go to you on the first one. I mean, we're talking about pretty substantial sized deals now. You're over \$3 million on one ARR type of deal. But also the average number of products here, I think, Gregg, you might have mentioned ticked up from 5.4 to 5.8. So what we're seeing here is pretty clear traction that the solution sale is working.

I guess my question to you is does that change the nature of how you sell with the types of sales people that you want on your platform? Does it elongate the sales cycle? Would just kind of like to hear the approach that you want to see, the go-to-market take, as you're landing larger and larger deals.

**Louis Summe**

Yes, look, I think that's a great point. It does actually encourage us to hire sales people that have a little bit more experience and are a little bit more familiar with these bigger types of deals. As far as the sales

cycle goes, though, we don't necessarily see a huge difference in sales cycle depending on size, interestingly enough. So we haven't really seen the sales cycle elongate as the deals have grown bigger.

**Tom Roderick**

Excellent, excellent. That's helpful. Then Gregg, for you just kind of look into this usage multiplier. I think stability seems to be the name of the game here after some downward trends. Behind that, just on the collection side, what are your customers seeing? What are they talking about? Then you got some pretty good Fed data that you've looked at that gives you a pretty, I think, decent leading indicator into what that multiplier looks like. Do you feel like stability is in fact the right word for what we're seeing there, maybe marginally ticking up as we continue to move forward in a new economy here?

**Gregg Clevenger**

Stability, yes. We are seeing that we're kind of hovering around kind of a similar range here for the past couple quarters. We do see the leading indicators, as you mentioned, the Federal Reserve data around new credit originations and things like that, that we fully expect are going to translate, like they always do, into increased servicing activity that will make its way into collections activity, which was 30%-plus of our revenue stream that has particularly been impacted by COVID.

That spill over into collections is not materializing as we would not expect it to, because you look at the growth in origination and what that means for first-party servicing, it's about 180-day lag from first-party servicing until it goes to collections. So we're still within that period, that 180-day period that we've been seeing upward movement that would indicate to us that that activity is going to pick up.

We're still hopeful. We believe the path to where we were pre-COVID is where this is ultimately going to go. Like we said, we're not going to predict when and how fast it's going to get there. But I think your initial observations were good that we feel like we're at kind of a stable range right now. Yes, we're hopeful that it's going to move up from here.

**Tom Roderick**

Excellent. Last quick follow-up, just on that point. So I think last quarter you talked about collections revenues, driving collections business driving about 30% of revenues last year, or 37% last year. How would you encourage us to think of a trend line? I mean, it seems pretty obvious that as multi-channel and the broader platform takes off, that number is going to come down. Will it come down quickly? How often will you update that? Just would love any directional thoughts on the collection space.

**Louis Summe**

Yes, that's something that we will update on an annual basis, kind of look back on an annual basis. That 37% that we had last year, going back five years before that, 2015, that was 63%, I think. So it moves. But it really depends on the mix of bookings between collections and non-collections. Our deals that we're doing and our pipeline is very heavy enterprise right now, as we had expected.

We do believe that percentage of our revenue is going to continue on a kind of path that it's been on in terms of its overall contribution to revenue.

**Tom Roderick**

Fantastic, really helpful. I'll jump back in the queue. Thank you.

**Louis Summe**

All right. Thank you.

**Operator**

Thank you. Your next question comes from Koji Ikeda with Bank of America. Please go ahead.

**Koji Ikeda**

Hi, guys. Thanks for taking my questions, and congrats on big win in the quarter.

I just have just one question here. With such a big win, and it sounds like the bookings momentum is really heading in the right direction here, a little bit surprised that the '22 outlook remains 25% growth on the contract side. Is there anything we should be aware of embedded in that outlook? Or maybe I'm just reading into that 25% a little bit too much here. Thank you.

**Gregg Clevenger**

No, we've been very consistent in our view that that contract revenue is on a 25% growth path. We've been investing for growth on the booking side, and that's materializing. So the playbook is playing the way that we had expected it to. At this point we still feel very good about the 25% and don't feel the need to change that at this point, either way.

**Koji Ikeda**

Got it. Thanks for that. Just one last question for me. From a big picture perspective, what are you most excited for heading into 2022? Thanks for taking my question, guys.

**Louis Summe**

Well, I think the blended omni-channel is really kind of a very exciting area for LiveVox. That'll certainly be an important part of what we're talking to our customers about, because what's happened, of course, is as people start to look on the other side of the pandemic, they're seeing that the market is still asking for a lot of contact center services and the labor shortage is challenging and acute. So that drives up demand for digital. It drives up demand for self-service. It drives up demand for AI.

Keeping all those new technologies synchronized and kind of in a coherent workflow that really delivers a strong level of customer engagement just requires a kind of a well-structured, well-blended platform. So that's kind of where we are, and that's what we're excited to talk to the market about, really help them adjust to kind of this new 'new' that they're facing.

**Operator**

Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to Louis for any closing remarks.

**Louis Summe**

Thank you and thanks, everybody, for joining. Really appreciate it. A special thanks to our employees that really put a lot of hard work and effort into driving the results that we delivered this past quarter. I'm

certainly grateful for their contributions and definitely looking forward to doing more of the same as we move forward. Thank you all very much.

**Operator**

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