

**S&P Global**

Market Intelligence

# **Thryv Holdings, Inc.**

NasdaqCM:THRY

## *Analyst/Investor Day*

*Tuesday, December 3, 2024 2:00 PM GMT*

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# Call Participants

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# Presentation

## **Cameron Lessard**

*Assistant Vice President of Investor Relations & Treasury*

All right. Good morning. Welcome to the Thryv 2024 Analyst Day. My name is Cameron Lessard. I'm the Head of Corporate Development and IR at the company. I'm thrilled to kick things off today. We're excited to provide you, our valued analysts and investors, with an in-depth update of the strategic vision of the company, our progress and the opportunities that lie ahead.

We have a comprehensive agenda for you today. I'll give you a clear picture of where we are, where we're headed and the plan to get there. And we're fortunate to have an exceptional lineup of speakers to guide us through the day. Our Chairman and CEO; Joe Walsh; our President, Grant Freeman; our Chief Marketing Officer, Tami Cannizzaro; and our CFO, Paul Rouse.

There will be 2 opportunities for Q&A today. The first is a short session, about 45 minutes to an hour from now after Grant Freeman's presentation. And the second will be a longer, more in-depth session following all presentations. For those of you with questions, feel free to -- listening online, you feel free to submit them to the [investorday@thryv.com](mailto:investorday@thryv.com) inbox. Or you can e-mail me directly at [cameron.lessard@thryv.com](mailto:cameron.lessard@thryv.com).

Before we begin, I want to remind everyone that statements made today are forward-looking and reflect management's current expectations. These statements involve risks and uncertainties that may cause actual results to differ. You can find reconciliations and additional information on our IR site at [thryv.com](http://thryv.com).

So we're going to say a lot of great things today and give you a lot of wonderful updates. But I think the big takeaways are on the screen. The first one is the strong progress in our SaaS business, highlighted by our key metrics. The second is the strategic benefits of our recent acquisition of Keap, which Joe will go through, and what it means for our future. Third, our centers. We have some new releases today that we're going to share with you to better serve our clients. The fourth is our strategy for winding down Marketing Services while capturing the remaining value in that business. And the last one is an update on our medium-term outlook.

Just keep in mind that we put out a presentation today on our website. So hopefully, everyone can access that. You should have Wi-Fi access at your tables. And one kind of final note here. Please ensure your mobile devices are silenced and -- in your laptops. So let's get started. Let's light the candle. So I'm going to welcome our CEO and Chairman, Joe Walsh.

## **Joseph A. Walsh**

*Chairman & CEO*

In 2014, the Board of NASDAQ listed Dex Media, brought my team in to try to figure out a new strategy for the company. The company was a regional directory publisher that had been in business since 1886. And it was in a pretty rapid decline, had a couple of billion dollars of debt on it. Most people gave it 3 years, maybe 4 years. It was going to be out of business, just upside down and gone. And they saw that and said, well, is there something that we can do? And we had competed with the company on the other side.

We built a company called Yellowbook. We were pretty innovative, pretty nimble, pretty fast and they thought, well, maybe these guys can do it. So we came in and we recommended a strategy which was we thought brilliant, and that was to take the very small businesses that were already in the customer base and go serve them in a new way to go solve a new problem for them.

And we believed at that time, this is 2014, we were -- most executives that were running companies were evaluating the cloud, trying to figure out how to move your computing into the cloud. Salesforce.com is taking off. Small businesses for the most part, weren't really yet using any of these tools or just very -- in the very early stages of beginning that. So we predicted a coming wave. We predicted this mega trend that small businesses would follow big ones into the cloud. And the Board liked that idea, didn't have

any other good ideas. It convinced our team to come in, and we took over as a leadership team in this substantial business had 5,000 employees. It was a couple of billion in revenue, but it was declining fast.

So we set out on this mission, set out on this journey of transformation at that time. And I think we were probably a little bit maybe early on that prediction because small businesses did begin to make the move, but they made it slowly. And the thing that we realized as we got out there telling the story is that most of the small business owners that we were meeting with were 55 or 60 that they were baby boomers and they weren't super tech savvy.

And even though you could get them excited in the meeting about what software could do to change their business, they sometimes would buy and then fail. They basically would say, you know what, I'm only going to work so many more years. It ain't broke, don't fix it. And so we had an adoption challenge in the early days, and that triggered some early churn. And we had to learn about who to sell, how to sell and work through it.

But there's something big happening now. There's a generational shift happening in small business. We sometimes internally refer to it as the silver tsunami. And that's basically baby boomers that own most of the small businesses in the country are -- they're making plans to move. They're bringing either their kids in or they got a manager in the business, they're doing a management buyout with or they're selling their company. They're finding a way to transition. About 10,000 baby boomers a day are retiring, and that's cutting right through small business ownership.

So all of a sudden, we're showing up after we've been calling on these companies for a few years and sitting in the meeting now is a 41-year-old who's much, much more tech savvy and has a different point of view. So we all know there'll be a wealth transfer as this whole thing happens. But the demographics of small businesses over the next 5 years, over the balance of this decade will young down some as this baby boomer group starts to move toward retirement starts to move towards stepping away. So we think that these tech-savvy people will actually speed up this fairly gradual transition. And we described this gigantic megatrend. And some of you may have heard me talk about this and thought, what's he talking about? It hasn't happened that fast.

We really believe the balance of this decade, it will pick up speed for this reason. And so when you think about the marketplace, consumers are trained. They know how to use mobile tools. If you've got a client portal, if you've got a little site, they know how to make an appointment on it. They know how to -- they're there where they weren't a decade ago. They are now. The tools are better than ever. The tools run faster. The connectivity is better. And the small businesses, I think, are finally ready. So we really feel like when we look out at the balance of this decade and pretty much everything we're going to talk about today is thinking about from here to the end of the decade, what's this business do?

What's this business look like? How do we see it playing out? So our service addressable market, we believe, in the U.S. is 5 million small businesses. And we think globally, it's 10 million. So we've got a really big market. We only have 100,000 customers on SaaS. So we've got a ways to go. We got a lot of room. Let's talk about where we fit into the market. And this is sort of a rough sketch of how the market is organized. At the bottom of the market, you have lots of point solutions, payment tools, free or very inexpensive little e-mail tools, so on that customers spend less than \$2,000 a year on.

At the top of the market, you obviously have Oracle and Salesforce, these enterprise-type things where people spend hundreds and hundreds of thousands of dollars a year. In the middle, you have an active small business market. The leader in that market is HubSpot. HubSpot gets 13,000 roughly per year per customer.

And they have -- they say they're for small businesses, and certainly, that's how they started out. We find their focus is on Salesforce. They are going hard after Salesforce. They're doing a really good job of it. They're an incredible company, doing a wonderful job. And we're sort of tucked in behind them like a NASCAR draft because as they move upmarket, we're going right up behind it. We're HubSpot for small businesses. Our software doesn't require you to be certified. You don't necessarily need a consultant to install it. It doesn't take weeks and weeks of training. You can get up pretty quickly. We're more for the 5, 10, 15, 20, 25 employee business, not the 2,000, 3,000 employee business. So we believe that over the

balance of this decade, we'll go from where we are now, which is about \$4,000 of annual spend to about \$8,000. And that will happen as our small businesses that we're working with grow.

It will happen as our platform continues to build out and we offer more tools that people can consume. And importantly, it will happen because we're actually going to be aiming a little bit more upmarket ourselves. Our customer base is filled with 3, 5, 7 very small employee businesses. And as we build out the functionality, and I'm going to talk about that in a few minutes, we believe we're going to get more and more traction with the 20 and 25 employee businesses, just a little bit bigger small businesses. And that will help us have a little bit more spend per client, a higher lifetime value.

And I think overall, that relationship of cost of acquisition to lifetime value will keep getting better as we move into a little bit more stable businesses and a little less of the very, very small businesses. So small businesses are big. I mean in construction and professional services, transportation, restaurants, most of them are run by small businesses. Small businesses are really the backbone of the markets that we serve. They employ lots of people, they bring lots of innovation. And our employee base is just incredibly devoted to small businesses. But when you look at -- this is a McKinsey study that talked about the efficiency of a bigger business versus a smaller one. As businesses get smaller, they become less and less efficient.

One of the biggest reasons is the smaller businesses aren't using many of these tools, whereas bigger businesses that can afford them and have staff to evaluate and so on are using more of these tools. So there's a productivity gap. In fact, McKinsey would say that it's about a 5% GDP gap in productivity. And I'm here to tell you that between here and the end of the decade, you're going to see small businesses for a whole variety of reasons, go from unclouded to using these cloud tools. So we really think this is kind of our moment. It's a big time for us right now.

We think that small businesses are looking now for tools to boost their own productivity to help them become more efficient and very importantly, to help them grow, to get that phone ringing to have leads coming in. Thryves, do it all software helps them communicate, run their business and grow. I want to talk a little bit about Keap. The -- Keap business that we just acquired is something that I've been working on for a really long time. As we were building this business out, we were looking very carefully at what Infusionsoft, HubSpot were doing, looking at -- they were very early market pioneers.

I had the good fortune about 6 or 7 years ago to go to a conference and spend time with Clate Mask, the CEO of -- it's now called Keap, it was called Infusionsoft of Keap, talking about the marketplace, talking about the strategy, thinking about is there some way that we can work together because we really shared a common vision of where we thought the market was going and culturally had companies that were chasing a similar idea. But at that time, we weren't able to figure it out. We've been working on it for a while, had multiple close calls with them over the years, trying to figure out how to do something and then 5 weeks ago, managed to get it together.

And I really want to help you understand why and how this fit comes. So Keap is really all about nurturing your leads. It's -- you've got a list -- however you got that list. You put the list in the Keap machine and it nurtures them and brings them through and helps you make sure that every lead comes through and is not wasted. When you think about Thryv, we're really good at bringing the lead. We're really good at finding them to begin with. Keap doesn't really have any mechanism to go find people. It helps convert them. But when you bring together what we do with lead generation and what they do with lead conversion, it's a very, very powerful story.

So we paid \$80 million for Keap, approximately 1x revenue. And when we made the acquisition, we paid \$80 million. We, at the time that we closed did not have the ability to do it through debt. That would have been a natural obvious way to do it. We had to issue shares. And so we had to really think about -- are we willing to pay \$160 million for this business because we're letting our shares go for half of what they're worth. And as I'm going to walk you through in a minute, we convinced ourselves that this was so transformative, speeds up our time line so much that it was still worth it, even though we were trading shares for less than half of what they were worth. And I'm going to talk you through some of the strategic rationale now. Before I do, I wanted you to hear from the 2 co-founders.

And we had a meeting with the employees and the partners together on Zoom, where it was Grant Freeman, our President, myself and the 2 co-founders, just talking with the staff about why we did this, how we feel about this. And I think it gives you some sense of the fit and the way we all feel about each other. I should say before I roll the tape that -- both of these co-founders are remaining with us in an advisory role. They won't be on the executive team per se, but they'll be continuing to help from the role that -- similar role that they had in the past. In the case of Clate, he'll be working to continue to help build the partner channel. He's really plugged in and an incredible speaker and really good at doing that. And [ Scott ] and his brother, [ Eric ], will continue to help us work in the product area. They're very bright, very innovative and will help in that area. But they're doing it as consultants, as advisers. The management team is pure Thryv. Let me play this for you.

[Presentation]

### **Joseph A. Walsh**

*Chairman & CEO*

Guys, we really like them a lot. And I think they'll be working and helping us for a while. One question, this is going to come up later. I'll just touch on it now. You might ask, well, if they're such good guys and if their software is so good, why wasn't Keap growing like crazy. It's been kind of declining of late. Their problems were in the boardroom. They had raised a ton of money at higher valuations in the past. I mean this thing has \$175 million, \$180 million of equity investment in it over time. And all of these guys were at the very, very, very end of their life, and they were running the business on harvest, trying to figure out how to get their cash out of it. And so they disagreed in the boardroom about strategy. Should they go upmarket, should they go down market? The decision was made to go down market. down market didn't work out. There was a lot of churn down there when they got down market. They turned and went back upmarket, but they just burned through too much time and too much money. So incredibly good software, just unfortunately, behind the wrong kind of strategy. So excited about those guys helping us going forward. We feel it's a complementary product suite, and I'm going to walk you through a little bit how we think about it. I talked to you about the funnel earlier. We believe that Thryv products will be sold into the Keap customers. It's a perfect fit. We believe that the Keap partner channel, some 700 strong will really be able to move that product. We believe that Keap's automations will be a perfect fit into our base where we've got customers who generate a lot of leads and those leads fall on the floor because they don't necessarily follow up the way they should. We think the automations can make a big difference. So you'll want to model it. You'll want to know what we're thinking about. Joe, you bought this thing. \$50 million of revenue synergy is what we believe we can achieve in the first 3 years. And we think that comes in something like \$5million the first year, \$20 million the second year, \$25 million the third year. And that won't be the end of it. It will keep generating revenue synergy out into the future for us, but not a small revenue synergy. We think it's very significant. We did not talk that much about it in the early process, and I think people were disappointed. They really want to understand what the revenue synergy was. So we decided to come out and really explain what we see happening. I mentioned briefly a minute ago, the partner channel, 700 strong certified partners that pay annually to be a certified partner. It's very mature. They've been doing the partner channel for nearly 2 decades. So a lot of these partners, I was just at the conference a couple of weeks ago, meeting with them. A lot of these partners have been with them for 10, 12 and longer years. Their whole business is built around using Keap's automations to help their business customers thrive and succeed. And they are chomping at the bit to get the full Thryv catalog of products and put it on their deck and begin to sell it. So we're really excited about that because we've only had this piece in the past.

And now adding the partner piece to the channel will really help distribution. And I'd be remiss if I didn't say that 20% of Keap's revenue and about that similar percentage of their partners are in Europe and outside of the U.S. So it really helps boost our international efforts without necessarily having to go buy something big in another market to get there. Product and engineering team. We have in Thryv currently about 200 engineers and product people that are working on our software, building, improving, developing it. With Keap, we just picked up 100 more. So we increased our dev team by 50% with a stroke of a pen.

And these are proven good people working in very similar tools. We very -- it's probably the area that we most heavily diligenced in the transaction was the tech side. We crawled all through the code. We looked



at the architecture, the QA, the process, understanding how good these guys are, how smart they are, would we want them to be teammates.

And the [ acqui-hire ] piece of this was a big piece of what drove because we brought in proven software talent that will accelerate the whole of Thryv's road map going forward. We secured 15,000-plus installed using it software customers. If you were to go out into the marketplace and try to create that outside of our zoo, admittedly, we have an advantage in our zoo. But if you went out into the wild, started buying ads on Google and software advice sites and doing all the stuff you do to meet new customers.

First of all, you'd have to go get at least 24,000 or 25,000 to net down to 15,000 that we're really using it. It would cost you way more than \$80 million to put 15,000 installed customers in spending the way they're spending, consuming and engage the way they're engaged. So just on a customer acquisition basis, it was worth the purchase price. There are significant cost synergies, as you can imagine, there would be. We don't really need a lot of the back-office support functions. There was a lot of executive overlap. So about 20% of those cost synergies are going to come from shutting down systems, turning off contracts, getting rid of fixed costs.

And about 80% of it comes in just overlap and redundancy in headcount, especially executive headcount. We're a taxpayer. We make a lot of money. And as a taxpayer, net operating loss carryforwards are really valuable to us. We picked up \$25 million in net operating loss carryforwards with this acquisition, \$5 million of which we'll use in the year ahead. And then we'll be working with our legal and accounting teams on how we can use the balance of that \$20-plus million going out. But this is a real positive for us, a real cash helper or a real impact. So Keap and Thryv together are a slam dunk.

I mean you can get there on almost any one of those sort of strategic rationales you can get all the way to the purchase price, let alone all of them together. And the last thing it did for us that I think is maybe the most important is in life and in business, we make a decision all the time about trading time for money or money for time. We've been at this transformation for a decade now. And some of you guys, I'm looking around, have been with us for 4 years, 3 years, and you're like, come on, come on.

This has taken forever, Joe. You said it was a wave. Are you going to ride the wave? Where the hell is the wave? This speeds us up by about probably 6 quarters. I had somebody asked me earlier while we were having bagels or something. Couldn't you have just written this software yourself? Yes, with enough time, we probably could have. And couldn't you have gone out and found the 15,000 customers? Yes, we could have. But while we're young, I mean, time is going by. And the market that we're chasing is like a wave forming and it's lifting and it's going.

And we're concerned, quite frankly, about staying on top of that wave. We're the clear category leader in our space. There's really nobody around us. I mean, way above us, we have HubSpot. We have 1 million [ ans ] below us. But we've got this market. This market is rapidly coming together and developing. Acquiring Keap consolidates that in an amazing way. There were 60 customers in the entire Keap base that overlapped in any way with Thryv. And those 60 customers, more than half of them had phone book listings. There's almost no software overlap whatsoever.

They sell to a kind of a white-collar online business. They sell consulting, coaching, all this kind of stuff, sell it nationally or internationally. Our guys are plumbers. They're roofers. We sell to local businesses that actually show up at your place. So incredibly complementary. If I were to sit down and draw out the perfect acquisition to help us transition from being a marketing services business and having to buy them because that's all we could afford to moving towards SaaS and being able to make SaaS acquisitions, this is the perfect one to help us get there.

So we're super excited about it. We believe that it's transformational. I know some of you guys are annoyed that the share price is off a little bit and that we use shares to buy it. Get over it. It won't take that long at all. The market is going to figure this out and go, wow, look at this company. And a year from now, we won't even think about this again. So we're approaching now some upcoming inflection points. These are points that, that board 10 years ago from Dex Media, never in their wildest dreams would have ever thought we could get to this kind of thing would happen. It's been a 10-year journey.

I never actually thought it would take 10 years, but it has. And this is where we are. We've already passed over now. We're a majority SaaS revenue business. With Keap every time we report, every quarter going forward forever and ever, amen, will always be a majority of our revenue coming from SaaS. And that's a big deal. Those of you that are analysts and stuff understand it has a lot to do with how we're categorized out there in the world and so on. In the year ahead in 2025, the EBITDA from the marketing services and the SaaS business will be pretty close to even, but marketing services will still be slightly bigger. In '26, it crosses over and never looks back, where the majority of our EBITDA comes from SaaS. And then the final thing is the year after in 2027, we returned to growth.

We're the fast-growing SaaS business that's riding this wave of demand that's still developing, far outstrips the decline of the runoff directory and other marketing services business, and we returned to be a growth business. And you guys are savvy investors. You know that those 3 things are each trigger points to help us re-rate and become fairly valued. Of course, we're not fairly valued now. That's part of why the room is full of people excited about the stock.

But 2025 is still a challenge for us because when you go back and you think about this big transformation that we set out to do, there was always going to be a decline in the EBITDA and cash generative power of Marketing Services. And there was always going to be an eventual rise in that for the SaaS business. And the pinch point occurs for us in 2025, where it's sort of the near where the SaaS business is coming up and marketing services business coming down. And we've still got amortization on our lending that is fairly strong. We're going to get into a lot of detail with you on that later.

And I have heard from people and have even read a few things, people questioning, well, will they be able to trade through that? Is that going to be -- are they going to have a cash crunch? Is that going to be a problem? And I think that's weighed on the stock. So we're going to address that head on in some slides later on, and you'll get a chance to understand that. But I want to conceive to you that configuring the marketing services exit, winding down and decommissioning legacy tech systems are expensive to do.

A lot of that's happening here in '25. And we're digesting keep where we've got severances and some other wind-down costs for contracts that are redundant we don't need that we have to just write off. There will be some cash hits in the first half of '25 at a period of time when amortization is still a little bit higher. So we will be a little bit in the straight jacket as we go through 2025. As we get to the back half of '25 into '26, it loosens up tremendously. Cash is really going up. We're delevering and we move through it. And we're absolutely fine to get through it, and the finance guys are going to take you through it in detail, so we can just knock that on its head. So it is absolutely a big year of digesting Keap.

So what's next for us as a business? We've talked to you in the past about our development road map, at least in the short term, features approximately 1 new center per year. Good news with Keap, we added a Keap automation center. So that sped that up a little bit. But we did, in fact, roll out a new center this year. That center is reporting center. Reporting center provides insights that help small businesses run. And it's the kind of thing almost like a big businesses use like a [ Domo ] report where you can get a report every day that shows sales activity or whatever you're tracking. We are able to do these reports simply and plug them in.

Some of you may be thinking, well, Joe, that sounds more like an add-on than a gigantic center on its own. I think that's fair. We see this as having high application right across the entire 115,000 customers. We think that this will be used a lot. And Tami Cannizzaro is going to talk to you a little bit about the method that we're going to use to try to get it out there and get it used. But this is a lower price point, kind of a \$50 a month kind of a thing, but we believe it will have high engagement, high usage. And importantly, you remember, I said to you we want to try to move upmarket. We want to try to sell to a little bit larger business. Think about if you don't have powerful reports, how many managers are going to want to use your software.

And so reporting center was table stakes for us to keep moving upmarket. We've actually had feedback from people that say, your Thryv software is great, but it doesn't have that powerful reporting suite. We need that. So we now have that. And this will be a big deal to help us with retention, to help us continue to move upmarket, to help us with client satisfaction, engagement and the recommendations that we



thrive on. A tremendous amount of the sales we make really come to us from referrals. And we'd get even more if we had this reporting. So it's kind of a big deal for us.

I want you to hear from our Chief Product Officer, Rees Johnson. He's going to talk to you just for a minute about Reporting Center.

**Rees Johnson**  
*Chief Product Officer*

Hello. My name is Rees Johnson. I'm the Chief Product Officer here at Thryv, and I'm excited to introduce you to Reporting center. Our customers have been asking us some key questions. How do I make better marketing decisions? Where do I place my time and energy? How can I know my customer better and help me run my business more effectively. That's why we released Reporting center to answer these questions for our customers. Additionally, customers have been asking us, you've got to create this solution so I can access it from my phone.

I need these reports on the go. So this was a key reason we delivered Reporting center as a mobile-first design. Customers want to stay connected and manage their reports wherever they are, so they never miss a beat. Reporting center has been designed to address all Thryv platform users by providing easy access to prebuilt reports and to allow more advanced customers to customize their reports. This release positions us as the ideal choice for small business owners who need actionable insights without complexity.

**Joseph A. Walsh**  
*Chairman & CEO*

So make no mistake, we have gone from being a single product company to becoming a platform company. We now have software that does more than one thing. We now have the ability to sell multiple centers to people, and that's where growth really can accelerate. I mean our hero company is HubSpot. We watch them. We watch what they're doing, and we see where their growth has actually picked up as they've had more centers to sell, actually growing faster at a couple of billion than they were at \$0.5 billion. And we think the same thing is there for us. So when you think about our product line right now, you've got Business Center Marketing Center Command Center, which we've, of course, had for a while. We added a very mature, very well-developed set of automations with Keap, and now we've added reporting center.

So it's really built it out. We really do believe that we're a platform. We're not a point solution. We really think that we can help clients grow in a powerful way. And we feel like we're poised for durable growth going forward. Small businesses that don't adapt to all that's going on, we're going to have a really hard time in the next few years because there'll be hardly anybody not doing it, and it will be really tough for them. So just about wraps that up. I've got this guy coming out. He's got one more thing. Okay. My slide people are having fun. We've talked to you guys about adding a new center per year. And some of you might be thinking, well, reporting center sounds like half a center, Joe, because it's not super expensive, it's not super big. And so we thought we would give you a little glimpse at the center that's right behind it. And push you guys, whatever make that thing go to the next slide.

[Presentation]

**Joseph A. Walsh**  
*Chairman & CEO*

So payroll, staff, timekeeping. I spoke earlier about our desire to move upmarket a little bit to dig in more to the 15, 20, 25 employee small business and less the 3, 4, 5 employee business. This is a big piece to get there. Having payroll center will make a big difference. We've been working on it for several years. We will have an alpha version in the market here very, very shortly, a beta right behind it. It will be out next year. We're not going to reveal the exact date today, but we're really far along. It's not just an idea that we're chasing. It's nearly done. So when you think about -- well, maybe you thought about, well, geez, reporting center is half a center. This is a big one.

This is maybe like a 1.5 cent. It's going to be a big one and will really make a big difference for us. So -- are you doing all that? Or did I? Can we go and just go back one? Yes, thanks. So you think about the product lineup, just a minute ago, we had just this, and this one is free at the moment. Now we got this, and this coming hot on its heels. So the platform is really building out now.

When you think about what Thryv brings to the marketplace, we've got some powerful tools to help you with marketing, sales and growth and the back-office business operations pieces are coming together. We've got a very complete platform. And if there's a couple of things that you can't find in our platform, we have an app store. We have a marketplace with deep linked integrations to QuickBooks and MYOB and Xero for accounting in the back office and all that stuff.

So there's so much that you can do sitting inside your Thryv platform. One of the great things about the Keap acquisition was this partner channel. And within this partner channel, there's sort of a subgroup that are powerful influencers. Some of you guys have heard of StoryBrand, business made simple, Donald Miller, he's out of Nashville, Tennessee. He's got an enormous following. He's built a big business. He has super high credibility with a lot of small businesses. He is one of those, and I'd like you to just quickly hear from him, if you would.

[Presentation]

### **Joseph A. Walsh**

*Chairman & CEO*

So he's a powerful voice for Keap and now for the whole Thryv product category and catalog. You guys have met in the past, our President, Grant Freeman. Grant and I have worked together for 25 years, I think, something like that, a long time. And he's doing an incredible job taking a lot of load, running the company, and I want to bring him up and let him talk to you little bit about what's going on.

### **Grant Freeman**

*President*

Thank you. All right. Good morning, everybody. Needless to say, I'm a little bit excited to be here today and share this next part of the story with you. But First, let me just start by personally welcoming all of you to this day and thanking you on what is a very busy day in New York for choosing to be here.

We have a lot of great parts of the story that Joe had just shared. And I'm going to be speaking to you for the next 30 minutes, but the great news for all of you, it's not just me. We have Tami Cannizzaro, who is our Chief Marketing Officer, who is going to take us through a part of this story as well.

I would like to say just one thing personally. Myself, like a lot of you have probably been on winning teams in your life. And when you have something really good in front of you an amazing opportunity, you kind of get this feeling about it, especially when you're into it up to your eyeballs. You're really into the day-to-day operations of it. I have never had a greater sense of optimism about a business opportunity than I do right now, and I know I share that with everybody that I work with. And I'm confident that by the time you part ways with us today, you're going to see why we have that optimism that I just mentioned. So let's jump into these slides here. We're going to talk about a lot over 30 minutes, but there's really 3 essential points that I would love everybody to walk away with.

Number one is some milestone metrics that we were able to achieve over the course of 2024. Number two, the Tami section is going to be a better understanding of our products and where they fit in the small business software ecosystem, the problems that we solve and how we help small businesses. And third, and maybe the most exciting one is the expanded opportunity that we're going to have moving into '25 and going through the rest of this decade, which I'm really super excited to share with you as well. So let's hop into some SaaS metrics that matter.

If we go back to the end of 2023, myself and the rest of the executive operating team, we were sitting in a room and what do you do at the end of any year? You start to set goals, hopefully, big, very audacious goals for the next year, goals that you're not even sure if you can definitely attain, but you know that if you shoot from them, you shoot for them, you'll end up better off than you would have if you didn't. So

I'm going to share with you what those goals that we chased were and then how we ended up performing over the course of this year so far. So the first one was to drive net revenue retention to right around 100%. Look, we're not in the enterprise space.

So we don't have the ability like others do, to grow to 105%, 110%, 115%. We see ourselves as around 100% net revenue retention company, and we're going to show you how we performed against that. The second one is driving to be a Rule of 40 company. I call this the Paul Rouse, CFO rule, growth, but responsible growth, right? He always tells me be responsible, grant, grow the business will be responsible. And I think we've done a very good job in doing that over the course of the last year. Joe had already spoken to accelerating SaaS revenue to be the larger piece of the overall revenue pie at the company. And then finally, driving our gross margins on our software product to north of 70%, which we know is something that we had to do. So now we're going to take a quick journey through those 4 and see how we performed. So on the driving net revenue retention, exiting Q3, we achieved 101%.

So we were extremely excited about this. And a lot of the things that Joe spoke about should make it obvious how we were able to do this and how it will continue. Two years ago, we were all sitting around and we had one center. Now you just saw that we're going to exit 2025 with 6 centers plus multiple add-ons to help to drive future growth. And when we look at this metric, probably the most exciting part about it is the fact that in our base of roughly 110,000, 115,000 software customers, 88% of them as we stand here today, still have one center, one product.

The opportunity ahead of us is massive. Now again, we believe that we're going to be targeted at right around 100% because of the segment that we serve, small businesses. But we're really proud of that accomplishment over the course of 2024. Next up, driving to become a Rule of 40 SaaS company. You can see how we exited 2023 at about 26%. And at the end of Q3 of this year, we were at 41%. So we're excited about that performance as well. We were able to get more efficiency out of our direct sales force through implementing some new go-to-market tools, things like sales loft, cadence selling, a more modern selling approach, which really helped us drive SaaS revenue growth.

But also on the cost side of the business, we found ways across the entirety of the company to implement AI to take away the menial tasks that people don't like doing anyway and take up too much of their time versus time that could be applied to tasks and projects that need critical thinking, in addition to AI in the realm of content creation, building out websites, et cetera, which helped us mitigate the overall cost. So those 2 things combined to get us to a 41%. And as we look out into the future, we want to continue to have sort of a healthy balance of revenue growth and profitability.

The accelerating the SaaS revenue to be greater than the marketing services revenue. We heard from Joe how that has happened, how we're sitting here today, north of 50%. It is important to recognize that a part of our ability to do that was the acceleration of the migration and upgrading of marketing services customers over to the software platform. Now that was critical for those customers because we want to get them on a modern platform that's going to continue to receive investment updates, enhancements and upgrades. And what I can tell you is that we don't have customers that are on that platform now that are saying, no, put me back on the old Yellow Pages platform. It's simply not happening. So we're excited about our ability to accelerate that SaaS revenue to be greater than marketing services revenue as well.

And then, of course, the last one, very important, though, is driving the gross margins to north of 70%. We were able to achieve that as well. You may wonder how. We have a focus on selling more high-margin centers now. That's the way compensation drives our sales force. And that's also what customers want, especially when it comes to Marketing Center and Business Center, which are higher-margin products than some of the others that we had in the past. So excited to report back that we were able to attain all 4 of those at this moment in time over the course of '24. And with that, as promised, I will not continue to talk your ear off right now. I'm going to bring up Tami Cannizzaro, our Chief Marketing Officer. So Tami, welcome.

**Tami Cannizzaro**  
Chief Marketing Officer

Appreciate it. Grant wakes up and starts working at 4:00 a.m. So it's mid-afternoon for Grant. So I'm going to talk a little bit about the product evolution. And since I've been here about 2.5 years, I've never been so excited about the products that we have to sell. Part of leading and winning this category is making sure we have great product market fit. And so I'm going to talk to you a little bit about the portfolio. We'll just do a walk-through on how we're using portfolio to drive revenue.

So let's just start, for any of you who might be new to the Thryv story, I'm going to start with a little overview of Business Center.

[Presentation]

**Tami Cannizzaro**  
Chief Marketing Officer

Great. So this is -- that's our Business Center, which is our core product. In addition to the Business Center, we launched Marketing Center in October of last year. And Marketing Center is actually an easier sale. It's an easier onboard, and it's a core, core problem for our small business owners. We're actually seeing 20% of our inbound sales go to multicenter sales for a Business Center and a Marketing Center.

As well, our heritage of being a company that sold marketing, right, sold in this space. Ads and marketing services, it's a real natural fit for our business advisers and for our overall brand story. So let me tell you a little bit about marketing [indiscernible].

[Presentation]

**Tami Cannizzaro**  
Chief Marketing Officer

So this is the Marketing Center. And what -- another added benefit of Marketing Center is the Partner Channel. So building a Partner Channel around this marketing portfolio, where we have Marketing Center, Keap automations, SEO, leads packages. We really have a full story to tell around our one-stop shop in marketing solutions.

And so in Business Center and Marketing Center, adding Command Center, which is a freemium entry point. And then the Keap Automations, which will be added across the board, but particularly powerful bundled together with Marketing Center and also attracting, I'll say, a higher, more mature client as well with these newer offerings such as Keap Automations as well as the Reporting Center.

This is an example of an add-on growth packages. So I mentioned our marketing surround sound. This is a -- whoops, hold on. There we go. This is an example of how we're actually using our own properties and also third party to drive more traffic to our small business owner's website. So this has been an ask for them, can you, Thryv, help us to drive more traffic, drive more leads into your business? And so these growth packages are a great example. They are \$300 or \$600 a month, depending upon the area that you want to target, the number of categories. They've been very, very popular and just such an easy add-on for our BAs to sell into our core base as well.

And so Reporting Center that Joe mentioned is -- it's a really nice piece of software. It showcases really beautiful. And the way we're monetizing this software is that we're actually pushing it to our current Business Center users in-app and giving them a free 3 months of these reports. It comes with 5 package reports to really show them the data on their business. And then at the end of 3 months, if they want to pay, then they'll pay and they'll upgrade this Reporting Center. These add-ons also just help us to make us more sticky, reduce churn and increase the overall average revenue per user.

And Workforce Center. Finally, Workforce Center, which will be coming out later this year. Workforce Center is -- helps to manage track payroll and your workforce -- and that is really -- will give us an additional -- our first back-office solution. And again, will help us to provide that overall one-stop shopping for our small business owners. In addition, Rees Johnson, our CPO, has been hard at work pulling AI through our portfolio. And so I'm just going to give you just 2 examples of how the product management team is using

AI to help small business owners and just make our products so much easier and intuitive to use and low touch.

So CaptionAI for social, it's a huge time set for our business owners to manage their social properties often without a marketing associate. And so CaptionAI for social, just -- it is what -- simply that you're able to use AI to really post and suggest captions for you as you post on your social media. Another example is AI Review Response. Another hardship for some of our small business owners is if they want to go on PTO or they want to travel or they're sick, there's no -- there's never time off. There's never any downtime. It's really important to be responding to your reviews immediately and in real time.

And so this AI Review Response just gives them the ability to sleep better at night, knowing that their reputation management is being cared for and the AI Review Response helps to facilitate that. So those are just 2 examples of how AI is being threaded through the portfolio, as AI can be just very powerful for these small business owners to get them time back in their day. And with that, I'm going to pass it back to Grant.

**Grant Freeman**  
*President*

Thank you, Tami. Let the record show that everybody clapped for Tami. Just -- I'm not hurt. I'm just saying it's very noticeable, and this is being recorded. No, no, no, no pity clap. The pity clap is worse than no clap. Tami, fantastic job, fantastic job as always.

So we spoke about some of the metric milestones that we were able to achieve in 2024. Tami took you on a fantastic quick drop through the world of product. Hopefully, that gives great clarity into what we do around here. Now I want to talk about what I deem maybe the most exciting part, which is the expanding opportunity that we have. If you've been following us, you know that Joe, since the beginning, has spoken about this tremendously unfair advantage that we have over all of our competition. And that was the hundreds of thousands of Marketing Services customers, loyal customers that have been with us on average for over 15 years and see us as trusted advisers. You couple that 15-year tenure with the fact that the average tenure of our salesperson is over 10 years, and you have some really strong relationships, and relationships with small business matter.

Because all of you, like any small business owner, you don't answer your smartphone if you don't see somebody's name. You may even have things that aren't in your contacts go straight to voice mail. That doesn't happen. We're able to have a conversation with people about the products that we have that we're bringing to marketplace that are in our marketing services base.

But that was really the main source for a long time. What we're going to show you today, which is what makes it so exciting, that still exists. We still have roughly 200,000 that we're helping to migrate when they're ready, maybe with a little nudge, right, so that they can experience the benefits of being a cloud-based company. We still have many referrals that come out of this zoo as well. But what we've really done a great job of building and now acquiring via the Keap acquisition is this centralized source of opportunity here, our SaaS customer base, which, as we mentioned, is right around 110,000 to 115,000 customers of whom, 88% only have 1 product. So when you think about the potential there with the centers that we have now, let alone the centers that are going to be added over time, there is a fantastic potential to continue to expand spend.

So now you've added this substantially sized source of opportunity. And then you go over to the acquisition leg, the product-led growth leg. We've been doing a great job in that. Keap has some experience in the realm of free trial as well that they've been running for well over a year. So when you combine the cumulative power of those, now that's another source of potential. That's 50,000 large. Not more than like 14 months ago, that was like 600. Now we're talking 50,000. So we've had this multiplier effect as we move into 2025 and beyond, and we are aligning our sales resources, be they tech touch, be they human touch, to align against putting specialists to sort of work in all of these realms and to maximize the output that we get from it.



But there's more than just that expanded opportunity. There's the expanded opportunity of how we're going to go to market. So as all of you know, what got us to where we are today is that competitive advantage of having 700-plus salespeople that are local, that are interwoven into the fabric of the communities that they serve and have those healthy relationships. That's helped grow this business to where it is today. And that's a big part of our future going forward to continue to manage those relationships and to continue to use them as sort of a net revenue retention driver, adding center after center after center as they communicate with their customers.

But I think what you're going to see next is pretty darn powerful. And that's the fact that via the acquisition of Keap, these next 3 become very real. So now we have additional vectors of growth. We go from 1 vector of growth potential to 4 vectors of growth potential, and that's happened as we move into 2025. And Joe has already spoken about the Partner Channel over there. We have 700-plus salespeople. They have 700-plus certified partners and like 6 direct salespeople. So it fits together beautifully. The areas of expertise will have a 1 plus 1 equals 3 effect over the -- between now and the end of the decade, especially.

We have this Influencer Channel, which I'll get more into in a second. It's a really neat way, I think, to acquire customers. And then we have the combined power of our knowledge as 2 companies becoming 1 of PLG, which will help us to continue to drive growth as well. I did want to take a moment on the Partner Channel. Joe had mentioned, we have the opportunity to go out to Chandler, Arizona, where the key offices are. And I spent 5 hours in a room with their PAGs, and that's their partner advisory group, sort of the best partners that they have. And I got to tell you, I wish that they could be here today to express the optimism that they have about their ability to take our products and offer them and sell them to their customer base.

And we left that meeting understanding that there's some real there with this Partner Channel. And when we left, what we found out was there's not much friction. It was a pretty seamless experience. We have to work on some of the finer details. But at the end of the day, optimism is the word that I shared back with them, and they all agreed that, that really captured that time that we spent with it.

You have people like Joe mentioned, not just in the United States, but across the globe. This is the -- and [ Ngoc ] here, he is their third largest partner. He's in Vietnam, and he owns the automation space in Vietnam. He's like a known quantity over there who's selling Keap Automations to people. Adriano is from Italy. He is such an evangelist for the product because like most of their partner network, he built his own business on it, and now he helps others emulate the success that he's had.

So it's a real natural fit as well. So again, the Partner Channel is a unique opportunity. And definitely, one of the pieces of the Keap acquisition that excites me the most. There's so much potential there.

We live in the age of social media. We are all -- we all follow influencers. Is that fair? Everybody has some influencers they follow, watching on Instagram, TikTok, wherever you may be spending your extra time. This Influencer Channel that they built over at Keap has massive potential as well. When you look at some of the people here like Lamar Tyler, who lives where I live outside of Atlanta, Georgia, this is a gentleman who has literally tens and tens and tens of thousands of loyal disciples, many of whom are minority business owners, okay? That emulate the success that he's had with growing his business, his coaching business, and they want to know his system.

This is one example of all the influencers that we have. And so these people, they're a fantastic audience when Lamar speaks. He can put butts in seats, as they say. He fills the room and they want to know how do Lamar do it. Lamar tells them and part of that solution right now is Keap, which he passes through as part of the package that he sells to these people. And in the not-too-distant future, we're pretty confident that it's also going to have things like Marketing Center, things like Command Center in there.

Because these influencers agree with what the partners agree with, that the positioning of Keap plus Marketing Center plus our other offerings to come is going to be fantastic, and they're going to be able to move that product. These people as well are excited, not just about the revenue potential, but they truly believe in their hearts in the nobility of helping others succeed and leaving the ladder down, and they see our product portfolio as something that will help them only do more of that for the people that they serve.



One thing that I think I'd be remiss if I didn't mention in the time that I got to spend the week after the acquisition, I went out for 5 days, I spent time with all of the employees. The employees that were in the office and outside of Phoenix, Arizona in Chandler. And there's a tremendous culture synergy between our two organizations already. And all of you know, that's really important in an acquisition. If you get in the room and there's a lot of friction and say, "I don't like you, you are my big competitor. I hate you." Instead, there was none of that. There was a shared vision. I believe that the employees there felt like this is a lifeline. This is a way that they continue on their mission to help more and more and more small businesses across the globe achieve success.

And it was really, really comforting to know that that's not something we're going to have to worry about. Over the course of that first week, we had already kicked off multiple work streams. There was no delay. So this only helps with things like speed to market. With getting the best out of this acquisition. So we're super excited that they're crazy and maniacal about small businesses just like we are. It's fun to me, other weird people like you, right? You all know that.

Then Joe had mentioned this already. Because of the product synergies, there's fantastic cross-sell opportunity. We and their partners are confident that we can move Keap product into their customers. And we're really confident that we can take the amazing Keap Automations and move them into a portion of our base of 100,000, drive customers as well. And that is because, as was mentioned earlier, these two just fit together so naturally.

What we're going to be offering, in addition to a lot of other stuff, is really a 360-degree growth solution for customers. Where for the first time, a small and medium-sized business can be afforded the tools that were typically reserved for businesses that worked with a larger agency or that had larger employees.

We're going to have the ability to help them attract prospects to capture their information, to then convert a higher percentage of them using modern tools, modern automations to help them nurture those customers so they don't just serve them once when they spend so much to acquire them, but they serve them for years to come. To also retain them at a higher rate and then to help them expand spend. It's a full 360-degree solution on one platform, our platform that we can bring to market now. So we're extremely excited about this prospect.

But also, as we talked about wanting to move upmarket and our dedication to sort of moving from that \$4,000 to \$8,000 ARPU amount by the end of the decade, what's less known about Keap is their business automations. So that's going to be really important as we move upmarket. Marketing automations are fantastic. Business automations, think about streamlining and automating every system and process that they have across their business, so things like onboarding, like how they train new employees, like how they get money from people that haven't paid them. Right?

All things like sales pipeline and sales funnels. The Keap Automations, especially with their brand-new automation builder, which makes it easier to build these out, are going to enable somebody to customize and automate all of their workflows, which we see as a vital component of moving to the businesses that Joe mentioned that we want to, moving from sort of 4, 6 and 8 employee companies to 15, 18, 20, 25 employee companies. That makes sense. You really need to afford them these tools or they will depart and find somebody else that has them.

So this, once again, is just highlighting and showcasing all that we'll have at our disposal as we exit 2025, many of which we have now moving into 2025 as well, which is going to help us capture more spend and ensure that we are the leading player in this space. At the end of the day, I think all of you know that we have a tremendously high level of customer intimacy. We talk to customers, we speak to customers, we listen to customers, we talk to partners.

We listen to influencers. And at the end of the day, small businesses, they want to grow. And if they want to continue to grow faster, they need software, and we're going to continue to offer them more and more software to enable them to achieve their hopes, their dreams, their aspirations and their goals. So with that, I would like to play a short video from some Keap customers who can do a better job of sharing how it's impacted them than I ever could.

[Presentation]

**Grant Freeman**  
*President*

We have now reached the midpoint Q&A segment of the presentation. So for the next few minutes, what we'd like to do is field any questions on the information that's already been presented to you. Obviously, there is more financial information coming in the back half of this presentation and that we will be afforded plenty of time to ask questions on that material. Right now, though, we wanted to give you the opportunity if there were questions on the information we just shared to ask them. And I'm going to welcome up Joe and Tami, I think, to be with us.

## Question and Answer

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**Grant Freeman**  
President

Yes, sir. We have -- wait. Please wait for the microphone to come around too so that the people on the webcast can listen.

**Daniel Joseph Moore**  
CJS Securities, Inc.

Thank you, and thanks for the really thorough presentation so far. Extremely helpful. Dan Moore with CJS Securities. And maybe this is more of a wrap-up question, but I'll give it a shot anyway. So given the expectation of consolidated EBITDA growth by '26-'27, the free -- unlevered free cash flow projections that you've shared or will share in detail later. Obviously, full suite of solutions that you've got to bear. Is there anything else, Joe, that you need at this point in time from an M&A perspective to flesh out the solutions?

Or are we -- do we have the portfolio in place today and the capability to get through the kind of squeeze in 2025 to get to the end of the rainbow, so to speak?

**Joseph A. Walsh**  
Chairman & CEO

I think we have the portfolio in place. We have what we need to go and grow. And we have our heads down right now, we'll focus on executing. Looking out over the next few years, there was -- I'm sure you're aware of this, there was free money available 5 years ago. And there is an oversupply of little point solutions and tools that have largely not succeeded, but are hanging on.

And you might see us do some tuck-ins, some of these just on a customer acquisition basis to pick up some of these because there's a lot of them out there and they're sort of on their boat going hey, SOS.

We have nothing in mind right now. We're going to digest Keap and focus on that. But I think there's some M&Ms that we could pick up along the way that would spice up growth. And the team is exceptionally good at integrating acquisitions. So that's a skill we probably will exercise. If you think about the balance of the decade, not so much right away. But the product portfolio was built out very well now.

**Daniel Joseph Moore**  
CJS Securities, Inc.

No question. And maybe one more follow-up. Is there -- with the addition of Keap, is there an opportunity -- and maybe it's a Paul question -- to kind of look at the debt stack and maybe renegotiate that a little bit with the incremental cash generation that they're bringing in to give you a little bit more flexibility? That's it for me.

**Joseph A. Walsh**  
Chairman & CEO

Yes. I mean, look, Keap was fundamentally a deleveraging event because we are adding some \$15-plus million of EBITDA and no additional debt. So it does improve the picture quite a bit. And as I mentioned, it just speeds up our journey out of trouble into a good place. So yes, that's something that will be on the table.

**Scott Randolph Berg**  
Needham & Company, LLC, Research Division

Scott Berg with Needham. Nice presentation. I guess, two questions for me. Let's start out on the revenue synergies that you all spoke about. Is it going to be easier to take the Keap product and sell it into the Thryv customers or vice versa to start?

**Joseph A. Walsh**  
Chairman & CEO

Grant?

**Grant Freeman**  
President

Yes. So I'm not sure what is easier than the other. I would say the larger opportunity just given the scale of our base right now at Thryv exists with selling the Keap Automations to our customers. One of the things that we've learned is that even though, as Joe mentioned, the two customer bases look very different. The software is still applicable to both.

And I think that if you look at the tens of thousands of Marketing Centers that we have now, there's a massive opportunity, as you saw, to connect the Keap Automations to the already highly valued Marketing Centers and have like a 1 plus 1 equals 3 effect for the customer.

So I would say that's the bigger opportunity. I'm not so sure that either one is easier. From a tech standpoint, I definitely couldn't answer that. But from an actual sellability standpoint, I think the bigger opportunity is right now selling the Keap Automations to the tens of thousands of Marketing Centers that we have.

**Scott Randolph Berg**  
Needham & Company, LLC, Research Division

Excellent. Helpful. And then just from a follow-up perspective, you all are moving into Workforce Center. I've covered the HCM space for about 20 years. It's a really tough market for a variety of reasons. I guess a couple of questions there is, one, why is that your -- going to be your first product into the back office? Why choose payroll and HR in particular? But then secondly, are you actually building your own payroll engine? Or are you going to embed maybe another solution into that product side to drive that for you?

**Joseph A. Walsh**  
Chairman & CEO

The second first. We're working with a partner. We found it was relatively easy to do. And it answered a question customers were asking us. And it -- importantly, it really does facilitate our moving upmarket into businesses that employ more people. And that's very much what we want to try to do. As I said earlier, picture HubSpot as they move upmarket going after Salesforce, picture us drafting and there behind them.

And there's a real opportunity for us to move just a little bit bigger in the small business base than we are. There's a lot of good things that can happen there. And Workforce Center will help us with that.

**Arjun Rohit Bhatia**  
William Blair & Company L.L.C., Research Division

Thank you. Arjun Bhatia with William Blair. Thanks for having us here today. I wanted to touch on your customer base, the Thryv customer base. You said you have -- or 88% of your customers, I think, are single-product customers. Can you touch on...

**Unknown Executive**

Single software.

**Arjun Rohit Bhatia**  
William Blair & Company L.L.C., Research Division

Single software product customers. Can you touch on what's been maybe the holdback in getting those customers to become multiproduct customers? And now as you look forward over the next couple of years, what really drives cross-sell of that customer base?

**Grant Freeman**  
President

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No, it's a very fair question. Although it may seem small, a year ago, it was 2%. So we would actually have a 6x factor over the course of 12, 13 months of attacking it. I had mentioned that we drove a lot of efficiencies through aiming the sales force better. Also, the enhancements that Tami has made with the marketing to the base have helped as well. So it has been a substantial penetration when you think about it that way. We only added the second center and Marketing Center of August of '23. So we've gone from really 1% to 2% and now up to 12% and still continuing north, and that's 12% as of the Q3 release, I think they don't.

So I would say there's massive opportunity, but the go-to-market motion will continue. And now we will sort of point a dedicated sort of resource against making sure that we get the most out of attaching a second product to those customers. It's a great question, though, but...

### **Joseph A. Walsh**

*Chairman & CEO*

I would just jump on the back of that and say, this is the big lever. It's the big lever. And I think without giving you a precise guidance, I think you'll see the number of centers per customer jump every single quarter by 2% or 3%. And if you look at us 2 years from now, it will be half the customers. It will have more than one center. And that's part of what's going to really propel ARPU and gross margin. So we have time for one more question this midpoint, and then we're going to -- there's another question session at the end. If there's one more, we'll take one more.

### **Unknown Analyst**

Yes. With NRR at 100%, can you maybe delineate a little bit what the customer retention rate is for your legacy business center and on your Marketing Center customers? So are you retaining 95% of your customers? Or 80%? Trying to understand the growth in the pieces of that calculation.

### **Joseph A. Walsh**

*Chairman & CEO*

Yes, we've never broken that out in a lot of detail. I don't have any stats to hand to give now. The overall picture is coming in at [ 101 ], the most recent. We expect to be able to hang out there around [ 100 ]. And importantly, we're addressing a market that's exploding underneath of us. So we will have fast growth, if we can just sort of hold on to the growth that's happening in our space.

So we're going to stop there on the questions for now. If you have questions didn't get answered, there'll be another question-and-answer session at the end. Do you have the remote?

### **Grant Freeman**

*President*

I do.

# Presentation

**Joseph A. Walsh**  
Chairman & CEO

Thank you. Thank you very much. So I've got just a little more here. We talked about the Marketing Services business, and I'm going to talk about we're nearing the finish line. It's been a 10-year, so far, transformation story. There's sort of 3 or 4 years left in that process now to wind that up and for us to be just a software company with nothing else attached. I've been asked many times, in public forums even, well, shouldn't you just spin that away? Nobody wanted it. There wasn't anywhere to spin it. There's nobody who's waiting to buy it. And it was worth more to us than it was worth to anybody else.

So really proud of what we've managed to do here. But the demographic profile of the 60 and older homeowner is getting smaller and smaller. We keep targeting them, but they're getting smaller, and we've intentionally been migrating. So what are we doing? We've got a strategy for how the next few years will go. And I'll just quickly talk you through it, so you wrap your head around it. One is targeted distribution. We print less directories each time we publish because the targets are 60 and over homeowners and places where we know the phone calls are coming from.

We have metered phone lines in the books. So we can see who's using it and who's not, and we deliver into the places that it's being used. So it allows us to trim print runs each year.

The publication life, we innovated the product line from 12 months out to 18 months. We are now innovating it out to 24 months. No one's sitting around waiting for the new phone book to arrive. You just go find it and use it. One fun little fact for you. Did you know that a little over half of the calls that our directories generate in the marketplace come from old issue books. Yes, you got that right. So the 1ew book is delivering about half the calls, and prior issues that are sitting around the house and the garage under the pile generate the other half.

So exactly when a book comes out doesn't really matter that much. People go to the books because they know the guy who bought an ad on this book is legit. He's been in business for a while. He's not some guy that popped up on the Internet that's going to take advantage of me. He's at least was in business a year ago when he bought the ad. And that's the reason lots of older people go to the books and continue to trust them and use them.

We are variabilizing, rationalizing all the costs all the way out. So we will be able to continue to deliver mid-20s percent margins out of that business all the way to the end. We're in command out in front of all of those costs. And the remaining digital clients, as Grant alluded to, we -- our company is the roll-up of all those regional bell operating companies, [ Ameritech ] and [ INEX ] and Packard Bell.

They all had some kind of really nifty digital marketing solution that worked reasonably well that they built 20-plus years ago that we've still been running in the background. We have to turn these off. They're expensive. We're winding them up one after another. And as we are winding them up, costs fall away from our business, and we're migrating these customers on to our modern software stack and showing them how that can really help them move their business forward.

One of the things that you may be thinking is, well, you've got all these directory customers, are they really candidates for SaaS? Would they really move over? Well, I do a program where I talk to customers either every week or every other week, I set up a little block of Zoom calls, half hour each, and I just do Zoom calls with the customers. And a few weeks ago, I did a call with this lovely young woman who -- her mom started this business where they do cake making and cupcake decorating and all this.

So they do classes and they sell all their stuff. It's a sweet little business. It has about 5 employees, been in business for close to 20 years. And her daughter, who speaks English better than she does -- the mom barely speaks English -- has come into the business.

And we migrated them from one of those older platforms over to the software stack. And the daughter took over the conversation and is now managing the directory ads and listings and manage that



conversion. And she has now added multiple centers because she's found at the classes that she holds, she was doing it all manually, trying to do it on social media. And she now has the ability to use the software. I just got a quick video clip from her, just a little slice to life of five employees, very small business.

[Presentation]

**Joseph A. Walsh**  
Chairman & CEO

Print customer, longtime print customer. Almost 2 decades print customer, migrated over and is now spending more, using more of our tools. On average, the customers -- these digital customers that we migrate onto the software platform, spend 15% more on average a year later. So it's working. It's working really well. These are small businesses. Like any other, they need to modernize, and this is the little bit of kick in the butt that they need.

So you heard our story, you heard about our products, heard what's going on and you're thinking to yourself, yes, yes, Joe, it's a great story, but you guys have debt. And that debt is worrying me. I'm going to talk to you about the cash characteristics of what we're doing here. We have \$290 million of net debt at the end of this year. So that's -- between us as equity participants and value, like we're not worried about that.

We got a couple of debt representatives here in the room, raise your hands, way to go. Your money is safe. Don't worry. The unlevered free cash flow that the print business will deliver between now and the end of the decade, when we're done with it, is between \$250 million and \$300 million.

Now a lot of people's thesis all along was that, well, gosh, the Marketing Services business will pay the debt and I've got a free and clear shot at the SaaS business. Only we messed that up lately. Because we kept doing stuff to change the metrics, like we were accelerating the decline in Marketing Services and so you're like, well, how do I model it? The pub dates are bouncing all over the place. How do I model it? We've had customers actually yellow at and say, I don't understand how to model it. Some of them sitting towards the front of the room. How do I model this thing?

So we're sort of taking that out of it, and we're giving you really clearly, we're very comfortable with that number of cash that we can deliver. And more importantly, the SaaS business is now profitable. And if you take the combined unlevered free cash flow of the print business and the business that we're building, it's \$600 million over that same period of time. So we've got more than double coverage against that debt. So we're not concerned here. And this is a really important point for you to kind of get your mind around. Even though we plan to stop printing new phone books by the end of '28, the cash, because of the 24-month collection cycle, we recognize here in December of '28 a book, it builds out over the next 2 years, and the cash comes in.

There'll be no cost against it. It will just be pure cash coming into the business. So that's a really important piece. That's enough for me. Let's hear from the finance boys. We've got some really smart guys to tell you about the numbers.

### **Unknown Executive**

Thank you, Joe. Almost done here. So for many in this room that follow this story for the last 3 to 4 years, they know that Thryv has always been an embedded business, right? It's been rated or valued as a dying phone book business. And so that we've not been able to get a full value out of our software business.

And now that we've crossed over the first inflection point, which is revenue for the SaaS business, it's -- we feel that the time is fairly near when we'll be fully valued as a SaaS business.

So just for kicks, we thought we just line up some of our metrics with some of the other players in the space. And you'll see that we line up pretty nicely and pretty favorably with a lot of these other players. You've heard of, HubSpot, ServiceTitan's going public fairly soon. EverCommerce, [ Bill.com ], all great

companies, and we're a great company, too. So we wanted to highlight this for analysts and investors that we feel this is a pretty compelling story.

Now let's shift over to our aiming points. And Paul and I will walk through these with you. These are some of the things that we will be talking about over the next 5 years of how we feel that -- from the past progress and some of the future and where we will end up as a business. The first one is gross margin. This is obviously very important to me and the company. With our product mix today and the more centers we put out, our gross margin has been improving pretty nicely. It's about 320 basis points each of the last 2 years. So really good progress there.

Again, 320 basis points each of the last 2 years. And we actually think we have a clear path to 80% by the end of the decade. So with the more products we put out, higher gross margins for each of those products, we see that marching upwards.

Secondly, and as we talked about throughout the presentation, with more products, there's just more ways to win, right? And we have more ways to sell. And we can go back to those customers and attach more products to them. And that's going to increase the spend per customer at 12% of clients with two centers now or more. We actually see that starting to grow nicely each quarter going out. So that's something you can track us to.

So really, really, really positive stuff here, and we feel really good about this increasing spend to 4,000 to almost 8,000 by the end of the decade. So real comfortable there. I'm now going to shift over to our CFO, Paul Rouse.

#### **Paul D. Rouse**

*CFO, Executive VP & Treasurer*

Okay. Net revenue touching. That's one of the four metrics that matter that Grant went through. Very proud of this 101 number here. But just to give you an idea of what we're expecting as we move out. We think it will hover around this 100%. We think we'll be high 90s or low 100s as we move out in time. So that's the expectation we want to set out there that bouncing around a little bit and we bounced around the line as we move out in time. So that's sort of the expectation I think you should be thinking about.

And why do we feel confident about that? We just went through -- and Grant just took us through, we got a question on this. It's starting to head up. It makes sense, right? As you add more centers and people do multiple, the ARPU is going to go up. So the net revenue retention should increase. So we're pretty excited about this. We think that will hold. I like that Grant called that the Paul Rouse rule. I like that. It's good to make money. So we want the right mix of profitability and growth and that's the right way to do it.

And setting expectations, we think this is pretty solid. And we think we should be thinking about this roughly as half, 20% growth, top line, 20% growth, margins, bottom line. I think that's a good way to look at the business long term.

I'm going to give you a little -- probably information you don't want to know, I'm going to tell you anyway. I come from a long line of Paul Rouses, going back to the potato family, where everybody came over. All of them cheap, not one of them that wasn't cheap. But during the holidays, it got very confusing because of all the Pauls. Which one, which one? So they started using our middle name. My father was Paul T. I was Paul D. Paul deleveraging Rouse. So any questions about how I feel about that, that kind of says it all.

Two important points I want to bring up, I'll just show the next slide, the money slide. We're really proud of this. We're ahead of our amortization schedule, paying it down. Give us some room going to '25 because it's going to be tight. So we wanted to get past that. We're all going to show you, leverage is going to go up before it goes down. That's an important point to take away. Pretty cool, right? We're in the fourth quarter, announced anything. This is new. We made these payments in the fourth quarter. So we paid it all the way through our amortization through Q3 '25. It's only one remaining in '25.

But what happens is -- this is the ride I'm sticking around for, just deleveraging, going down. So this is going to happen. So I just want to assure everybody, we're sticking around for the golden years. This is probably a slide everybody is waiting for. Right at the end. Just a quick summary. We expect organic

growth in the business to be roughly 20% for the original business. Keap, it's a stabilization year. We're going to stabilize the revenue. In '25, return to growth.

Joe told you about the \$50 million opportunity we're putting out there. Cameron showed you how we're going to get from 72, 74 to 80. SaaS margins, I just told you, the way to think about it is roughly 20% moving out in the business, \$10 million of synergies for Keap.

Marketing Services, Joe just went through the winding down of the Marketing Services business to get this cost side of the business. With the last publication, '28. And not to be forgotten, the cash flow continues. Margins in the mid-20s, Earnings per share turns positive in the second half of the year and stays positive moving out into the future.

So those are the points we want to leave you with here. With this slide, this wraps up the finance piece of the presentation. I think there's one more video. Joe is going to come up for a final word and Q&A.

[Presentation]

### **Joseph A. Walsh**

*Chairman & CEO*

I was talking to you about what happens over the next 5 years. We're going to wind up the print business, deliver \$250 million to \$300 million in cash. We're not going to talk that much about that anymore. We're building a SaaS software business. That's the end of that story.

On the SaaS side, we believe there's a \$1 billion SaaS business here. Very, very simple. We think that when you look at the future, small businesses will reach in their pocket, grab their mobile device, punch the button, figure out who the next appointment is, open up the client card, see which one of our agents is handling that appointment, what problem do they report, what did they buy last time, how did they pay? Were there any other notes associated with the account?

Scroll through, look at their day. Toggle in one fingerprint, push over -- what were yesterday's sales, how did we do last week, all in one place, keeping track of everything there.

That is going to happen. It's going to happen because demographically, they are going to be younger people running small businesses. The clouded businesses that are current -- the unclouded that are currently running with sticky notes and dry erase boards and 3-part NCR forms, press hard, there's three copies. That's not going to be there anymore. When you are supposed to approve something from a small business, even a true local small business, they're going to have you sign their phone and hit the button.

They're going to e-mail it over to you or text it over to you and you're going to approve it and send it right back. That's how they're going to operate to. And that wave is going to come with or without Thryv, but we're positioned to take advantage of and lead that. And we think that at \$1 billion in revenue, \$200 million of EBITDA, with the debt cared for, we think it will be a valuable company.

And we think that like our hero company, HubSpot, it will probably be growing faster than it is now because it will have so many vectors off of which to grow. So much product, so much demand and be in so many markets with so many sales channels. So with that, we're going to wind up and ask you guys if you've got any questions, we'd be happy to take them. We've got the full power of the team up here.

## Question and Answer

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### **Robert Cooney Oliver**

*Robert W. Baird & Co. Incorporated, Research Division*

Rob Oliver from Baird. Thanks for all the information. I appreciate it. Nice to see you guys. So it seems like stabilization of the Keap business in '25 is going to be a critical element of that path, and you've got it stabilizing around that \$75 million to \$78 million next year and then growing in '26.

So I'd be curious to get more detail on what the inputs were on that relative to the decline in the business, how you're executing on the stabilization and then also the partner management process, which strikes me as a tremendous opportunity for you guys, but not anything you guys have done before? So just -- if you could talk a little bit about that, that would be great.

### **Joseph A. Walsh**

*Chairman & CEO*

Yes. I'll lead off. So I'll start with the partner piece because I think that's really interesting. They have a Vice President in charge of partners, who's now part of our team. We're really excited about what she and her team bring. So whatever expertise got them here, they still have, and we're going to be working through them.

And Clate Mask, as I mentioned, is a partner [ whisperer ]. He's an incredible leader and an inspirational speaker, has a lot of strong personal relationships with these folks. And he's going to continue to pursue this mission with us, but more on a consulting advisory basis. So we'll pretty much have all the talent that was driving that Partner Channel before, just a whole lot more product now to move through the Partner Channel. A lot more money for those partners to make, moving a lot of this product.

So as to your first question about what we do to stabilize the revenue. One of the things that Keap was missing was clarity of mission, and we have that. We know exactly who we're going after. And the second thing they are missing that's really important is distribution. They had a 6-person direct sales force. And their Partner Channel, they had not necessarily been investing in the immediate period leading up to the sale, which we are leaning into it, big time.

The conference that we attended, which was very big and very successful a couple of weeks ago was their customer and partner summit was a fraction of the size of what it used to be. It had been kind of part of the harvesting and cutting costs. They've been cutting cost against the event that's helped drive the success. So we're leaning back into that and going to really support building on that. We're very confident with our distribution, we will be able to really move a lot of Keap Automations and get the revenue growing again.

### **David Marshall Lustberg**

*BMO Capital Markets Equity Research*

David Lustberg from BMO. I know you guys aren't providing a gross retention metric, but I was curious if you can talk about those who are trading off the platform, obviously, dealing with SMBs, a lot of SMBs necessarily don't make it off into the long term. How much of that churn is driven by SMBs maybe closing? And then on the other side, those SMBs where that turned off, where are they going? Are they going just off-line? Are they going to other products? Would be helpful.

### **Joseph A. Walsh**

*Chairman & CEO*

Yes. I mean the biggest place they go is back to paper. We're trying to take this 64-year-old guy and talk him into the future. And he tries and he comes to a couple of meetings and he goes, "I'm just not -- I'm just going to go back to the old way. It ain't broke, don't fix it, they fall back." That's the vast majority of the ones that we lose. And then some go out of business, obviously, there's some of that.

**Robert M. Davis***ACK Asset Management LLC*

Rob Davis from ACK. I had two questions on the Marketing Services business in the wind down. I guess the first is you have a lot of customers within that business right now. Can you give us some sense as to what you would expect to port over to Marketing Center and the SaaS business in total between now and the end of 2030? I mean, is most of the business going to go away?

Is most going to be -- because it's a print business, it's -- some of those customers will never move. And the digital guys, a lot of those will move. Then the second question I would have is of the \$250 million to \$300 million of cumulative cash flow through the end of the decade, can you -- any sense -- can you break that down is how much would be growth and how much is cash you'd expect to spend to wind down the business in total for that time?

**Grant Freeman***President*

Well, I can take the first question first. I would say that over the course of the last 1.5 years, certainly, we have a well-documented, very good track record of migrating people over. We don't have massive defection when we do it, and we're pretty intelligent about who we go after and when. I would say that whether you're in our software ecosystem or in our print yellow page system right now, you're going to need software. I mean, this -- like Joe said at the end of his part -- on the first part of the presentation, you just simply won't make it if you don't adopt and you don't adapt to software.

So I think we have a fantastic opportunity. We have terrific relationships that we can leverage. We're seen as trusted advisers. We have been for many years, whether it was Yellow Pages and then the advent of Google. And then Google comes along and we're trusted advisers to get them on there. And now we have software. We're seen as trusted advisers because of the duration of those relationships and how they've evolved over time.

So I wouldn't stay up at night worried that we're not going to be able to bring over a really healthy percentage of them. We get them. We know what they do. We stay close to them and we know what they need on the software side to want to move, I would say. Okay. Second part is Paul. Cash.

**Paul D. Rouse***CFO, Executive VP & Treasurer*

Yes. As you all well know, marketing -- print, in particular, is very high-margin products. So most of that is gravy money flowing in. And the back 2 years is all 100% cash flowing and with no costs obtained to it. So that's real cash coming into business to pay down debt.

**Robert M. Davis***ACK Asset Management LLC*

[indiscernible] \$250 to \$300 million [indiscernible] had to shut down and [indiscernible].

**Paul D. Rouse***CFO, Executive VP & Treasurer*

Yes. We're going to start -- a big year, we're taking a big chunky costs out of business is '25. So we still have these systems stood up. And about \$20 million will fall off at the -- it's going -- good guide flowing it to '26. And then we'll start shutting down additional systems through '26. But I haven't broken out -- this cost was going to take to run off, but most of it is cash flowing to the business.

**Cal Bartyzal***Craig-Hallum Capital Group LLC, Research Division*

Cal Bartyzal from Craig-Hallum. So I just had a question on moving upmarket. Can you guys just kind of talk to maybe or give us a sense of how much of this might be greenfield opportunities where these customers aren't really using a software in place? And how many of these you would expect to be

competitive takeaways and kind of how the go-to-market approaches might change in those two different opportunities?

**Joseph A. Walsh**  
Chairman & CEO

Yes, we have a lot of conversations with those businesses right now. As you move upmarket, as you get to, let's say, 20 employees, 25 employee businesses, for the most part, they are using something. A lot of times, in verticals, you have software that's provided by their suppliers. Maybe the guy who delivers a tile or carpet or dental services gives them vertically an ordering tool that's effectively like a little bit of a CRM that's kind of back-office facing.

What we find is that we fit in there really nicely because we've got so many outward-facing tools. We've got so much that manages their listings across the web. We're really good at social, really good at SEO. We're really good at responding to customers, really good at those nurture e-mails and the follow-ups and all that now with Keap. That even if they have a backward-facing, internal-facing ordering tool and a basic CRM, they need the front end.

A company you're going to hear a lot about this week is ServiceTitan. It's a great company. They do a great job within the HVAC and couple of other verticals. And we do encounter them in the market. I've personally been on two sales calls with large HVAC firms, one in Washington, D.C., one in Los Angeles. Each had more than 50 trucks on the road. And each were ServiceTitan customers and use ServiceTitan to keep track of all the wing nuts and the things that get loaded on the truck when it comes back at night for the next day and all of that, and ServiceTitan was an important implementation for them.

But they use Thryv for all their outward facing stuff. They use it for all their marketing, managing their listings, their social media. They keep track of their appointments. They do all that with Thryv. They fit in there perfectly together. So we don't really aspire to be a deep vertical, down into those -- keeping track of all the wing nuts. ServiceTitan does an incredible job of that.

But we fit nicely in there. So I think that will be the case as we continue to work with a little bit larger businesses, we'll fit in there nicely. Those 2 businesses I'm mentioning, each told me they had in excess of \$50 million of annual revenue, and they were very happy with Thryv.

**Unknown Analyst**

Just building off that last question. If we're at about \$4,000 a year per customer today, how do you think about what that journey looks like as you're able to sell more centers as you lean into going upmarket by the end of the decade? Is that circa \$8,000? Is that too ambitious? You able to put some thoughts around that?

**Joseph A. Walsh**  
Chairman & CEO

That's exactly the number. We think between now and the end of the decade, \$4,000 will go to \$8,000.

**Unknown Analyst**

And so if that's \$8,000, you guys are going to be -- I'll say we, since we're shareholders -- are going to be at \$1 billion of revenue alone before adding any new customers. So how do you think about -- because you're roughly \$0.5 billion today in run rate. So how do you think about -- as you look at the existing pool of customers, what might we be able to add from the zoo before the zoo closes or bring in elsewhere? And might that \$1 billion end up being a bigger number?

**Joseph A. Walsh**  
Chairman & CEO

I think it will be a bigger number. We're trying to be conservative here. Let me just be clear about the zoo. We have a clean shot at every one of those 200,000 left. I'm not saying that we're going to get them all.



I'm not up here predicting that we'll add 200,000 out of the zoo because other businesses are trying to get them to come on their software and some of them will go out of business and not make it into 2030.

But we have a really good shot. We're first in line for every single 1 of them. And Tami and her crack marketing team are figuring out how to have marketing messages and communication with them to bring them over. Don't bet against us getting a whole bunch of them. We'll get a bunch of them. So yes, I think \$1 billion is very conservative, but we wanted to try to be conservative to give people a sense of what was possible here.

### **Unknown Analyst**

Thank you. Joe, maybe actually looking at the other side of that equation. You have this plan to kind of shut down the legacy business by 2028. It's a few years away, but that's not that far. And so how do you think the business looks at that point once the Zoo opportunity, you've captured it and then you have to kind of go look at organic channels of customer acquisition. What are you working on? How do you think growth is kind of manifested after that point?

### **Joseph A. Walsh** *Chairman & CEO*

Yes. I think Grant did a great job of showing how the embedded base that we have now that's 115,000 or so of SaaS customers, which by 2028, directionally, probably roughly have doubled that. That base is a real active hunting ground for us to go and sell additional software applications and work with those customers and kind of farm and help them on their digital journey because they're all just kind of taking baby steps into growing their SaaS. So we think that we won't necessarily be out there having to do as much hunting in the wild because there's so much hunting to do there.

And then the second piece is our product-led growth initiatives, which we began working on about 4 years ago. We have 50,000 customers currently consuming Command Center on a freemium basis. So they're getting some experience with the Thryv brand. They're looking at the Thryv logo. They're using the Thryv Command Center, the free version. And not every one of them will step up in spend. But that's a nice little zoo beginning to develop. And I think the marketing team tends to dramatically grow that group.

There's also scope, I think, for us to potentially do some free trialing into certain of our products to even enhance that. Certainly, Keap had done a little bit of that. So I think that we will find ways off of our fairly sizable base are not necessarily just have to go hunt in the wild. And lastly, I would say, when we hunt in the wild in 2028, we will be a big hunter. We are the category leader now. We're just putting more distance between us and the rest. So to the extent that these more techs savvy, younger business owners are actually seeking out a solution.

If you go right now to Capterra or G2 Crowd and you look up Thryv, you're going to see best value for money. They're amazing with their service. Their stuff just works. You're going to see review after review like that. A lot of that stuff is starting to come towards us. Our inbound, people clicking on Thryv as a site, asking for a demo coming through. That builds every month. So I think those are places that we'll be able to get it.

### **Unknown Analyst**

Perfect. And maybe one follow-up for Grant or Tami. Grant, I think you mentioned the Keap customer, the verticals that they play in are more kind of white collar, I think, consultants, marketers, et cetera. That's different than the base drive is traditionally served. So how do you think about the applicability of the software and kind of the muscles that you might need to develop to serve that customer base? Is there anything new that you need to develop from a go-to-market or product perspective to sell to that base?

### **Grant Freeman** *President*

Do you want me to start off? Or do you want to do rock, paper, scissors? Okay. I'll go. Yes, I think there might need to be some tweaks along the way. But what's more important than what I think is what our partners and the influencers that we met with at Keap said, and that's that they believe that for their

customers, which are the type that you just mentioned, the coaches, consultants, et cetera, they believe that a specialty marketing center is highly applicable to them because no matter what realm of business you're in, you typically need new customers, you need to communicate with your existing customers.

You should have tools like lead attribution. You should have things like website heat mapping to understand how your leads are converting.

So there was no pushback from partners saying, "Oh, this is kind of incongruent to the people that we serve." None, which was extremely encouraging. Instead, they want it like tomorrow. So that's the best I can answer that question. I don't know if you want to share too.

**Tami Cannizzaro**  
*Chief Marketing Officer*

I'm not sure it came across, but I'll also mention how powerful it is, these Keap Automations give us a verticalization of the software, right? So we're a horizontal platform agnostic to industry, but the Keap Automations really will allow us to go to market with really what looks like an industry software because of all these vertical automation.

I think the difference in industries, there's nothing stopping us from selling the Automations into our traditional industries. Much of those industries that they've penetrated were partner-led, and those partners were in different verticals than we play in today. So we think there's some great synergy there for building out the Keap Automations into our current installed base.

**Unknown Analyst**

Good morning. So I guess there's been nice acceleration in converting print to SaaS very recently in particular. But with that, I think, came higher cannibalization than some people were expecting. And it makes me wonder what that sales process looks like to your print customer, who you're moving over, are there unusual or deep incentives that you're providing? And does the churn associated with that look like the rest of the business? And then I have a quick follow-up on Keap.

**Joseph A. Walsh**  
*Chairman & CEO*

Yes. The churn has been looking like the rest of the business. I want to hasten to add, when you look back, like a 4-quarter look back, they're spending about 15% more. So I mean they're once on the new platform, they're going, "Oh, okay". And they're buying stuff, and they're beginning to engage. I showed you the video, the one lady who fell into that exact category. Incidentally, she still has her print. They don't necessarily have to drop their print.

Some -- one of the -- I talked about the silver tsunami and the demographic shift that's happening in small business, when that 64-year-old hands over the keys to the 41-year-old, the print directory goes for the most part. In this case, the video I showed her mom who's in her early 60s is still there and is demanding to keep the print. But when the 40-year-old takes over, they don't want the print. They were like, what are we doing this for? I don't use print. And so they don't want it.

So there's demographic pressure as that silver tsunami is happening on the print business, we're getting them while the getting's good by winding it down on a planned basis.

If you think about it with 24-month pub cycles and 3 months to go, we have two books to publish. In some cases, only one more book to publish in these markets. And we have guided that decline in that Marketing Services business will move up to the 35 range in terms of -- because we are leaning into cannibalizing it.

**Unknown Analyst**

And the discounts and incentives for that?

**Joseph A. Walsh**  
*Chairman & CEO*

Yes. In many cases, they will be on a product on a legacy tool, which will migrate them over onto the new platform on like starter or a light version that we may not be selling out in the market generally as a way to land them, and then we'll begin to work with them to grow them from there. So that's the reason you see the ARPU bouncing around.

ARPU will begin to move up, as I said, from 4,000 to 8,000, but it may not be in a perfect straight line. There may be bumps in it as we migrate these people over sometimes in chunks, it might pull down the number in a particular period, but we are on our way up.

### **Unknown Analyst**

And then a quick question on Keap. You sort of showed a few international customers of theirs. And it's unclear to me how easy it is for you to go into foreign language markets like Vietnam with core Thryv and how easy it is to internationalize that product. So can you give us a breakdown what portion of Keap's base is international versus domestic or English-speaking customer?

### **Joseph A. Walsh**

*Chairman & CEO*

So Keap is 20% international, and it's in English. So those people in other countries are using it in English to market online globally in English. They're not necessarily doing it in Vietnamese or doing it in Italian. They're doing it in English. So the Thryv product at the core, our Business Center does work in multiple languages, but not everything that we have is fully built out for language and for currency. There's some more work to do. We are GDPR compliant. We have gone through those hoops.

And there's a little bit of a journey there to kind of fill in all the gaps. The instant offense to the partners is here in the U.S. There will be a brief lag as we do some localization for the international piece. But 20% of Keap's business is currently international. We got time for two more, and then we're going to wrap up. We've got one over here.

### **Scott Randolph Berg**

*Needham & Company, LLC, Research Division*

Thanks. I had a great question on international, but that was just [ tonight ] for me. So we've got one for you, Paul, here, is you have the chart talking about how leverage is going to at least near-term peak out in the second quarter of '25.

I guess a couple of questions on that is, one, is that driven because Marketing Services revenues is just going to be lower in that period based on when the renewal dates are and what sales look like in that quarter? Or is that a function of cost coming -- that are in the model around the integration, et cetera?

### **Paul D. Rouse**

*CFO, Executive VP & Treasurer*

It's a function of cost. If you look back [ historic ] with us, that's always a high-cost area. We have -- all our software is paid in the first quarter. So that's what paid in advance for 1 year. We pay our bonuses during that payment of time. So a use of funds is the strongest then.

And just like this year, with the free cash flow flows up in the second half. So that's what -- it's really how we're paying -- dealing with our expenses, why that's tight in the first half of the year.

### **Scott Randolph Berg**

*Needham & Company, LLC, Research Division*

Helpful for modeling. Thank you. And then as a follow-up on the -- I think it was the same slide or the 1 right before that. Just to clarify, have you paid the principal amounts through the third quarter of '25 to this point? what you did in the fourth quarter?

### **Paul D. Rouse**

*CFO, Executive VP & Treasurer*

We paid -- we made two payments, right?

**Cameron Lessard**

*Assistant Vice President of Investor Relations & Treasury*

Required amortization payments that we're supposed to pay quarterly, we prepaid them.

**Scott Randolph Berg**

*Needham & Company, LLC, Research Division*

Okay. You did that all in the fourth quarter? Currently? Because I didn't see it on my model in the third quarter. So, okay.

**Unknown Analyst**

Sorry. I had two questions on the silver tsunami. So the first, I guess, from a go-to-market perspective, when you think about the difference of how a 60-year-old finds solutions, versus a 40 or a 30-year-old, how you're kind of adjusting to be set up for that?

And then I guess the second part would be a 30-year-old is on a much different time line, probably much more focused on revenue generation. And just how the sales pitch and your product portfolio sets up more for that than the cost savings? And then how important that is to the ARPU expansion?

**Joseph A. Walsh**

*Chairman & CEO*

Yes, I'll split that with Tami. I'll start, and I'll give it to you. What we're finding is -- and you might say, duh. But what we're finding is growth is what is the hot button. When you talk to customers about making their phone ring, about getting inbound form fills, about giving them more business in the period in front of them, that's what they stop, drop everything and want to talk about.

And to some degree, in the early days of our software journey, we were selling run your business software. We were selling become more efficient, save time. And that is an effective conversation, but they're not necessarily jumping out of their chair to do that.

When you start talking to them about delivering leads, grabbing market share, getting growth over the next 6 months, over the next half of the year, making that business grow, that's what lights them up. That's what causes them to want to spend money and get going. And that's the most attractive piece. But do you want to talk a little bit about how you talk to the -- you made them 30. I had them at 40.

It's more kind of like around 40 that we're seeing these business decision makers coming in. It's the kids of or the manager of the guy that's 65. That person tends to be, give or take, a little bit. They tend to be around 40. There are a lot of 30-year olds taking over these businesses, but, you know.

**Tami Cannizzaro**

*Chief Marketing Officer*

Yes. And I would say we have a sales-led channel, a partner-led channel and a product-led growth channel. So we have these three channels that we're working. And to your point, some of the older generation who are less technology aware, they want to buy from a business adviser. They want a face-to-face, they want personal interaction.

Some of the clients want more services. So they're going to partner to get a fully packaged bundle of services and a little bit more white glove treatment. And then there's a third cohort that are ready to come and buy online, in which case, we're pushing them a demo motion. And over time, Rees is working on lower touch motions digitally online as part of our product strategy.

**Joseph A. Walsh**

*Chairman & CEO*

Yes. I mean one of the opportunities for us, honestly, is our UI and UX or user interface, making it even better. And one of the things Keap also gives, if any of you guys have spent any time going on Keap's website and screw around with their software and looking at it. It's phenomenally good user experience. Their UX/UI is a step change better than we have been at Thryv. And so we've been working with them even in the short month that we've been together, agreeing on sort of a design set of principles and how we're going to move forward.

And I think you'll see the overall Thryv UX/UI up-leveled in part by having this Keap influence pouring in. And that will help us with buy-it-yourself customers that don't want to talk to anybody.

Well, I don't think there's any more, and I think we're pretty much out of time. I'd like to thank everybody for coming. As you can tell, we're excited and proud about the transformation that we've pulled off. We feel like we're at the very end of the transformation part and at the beginning really, of building an exciting high-growth SaaS software business. So thank you for your attention, and we'll see you later.

**Joseph A. Walsh**

**Chairman & CEO**

Thank you.

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