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# Eventbrite, Inc. (EB)

Q2 2020 Earnings Call

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**Charles C. Baker**

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**Heath P. Terry**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon. My name is Christine, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Eventbrite Second Quarter 2020 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to hand the conference over to your speaker today, Ron Clark, Head of Investor Relations. Please go ahead, sir.

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**Ronald Clark**

*Vice President-Investor Relations & Capital Markets, Eventbrite, Inc.*

Good afternoon and welcome to Eventbrite's second quarter 2020 earnings conference call. Prior to this call, we released our Shareholder Letter announcing our financial results. It can be found on our website at [investor.eventbrite.com](http://investor.eventbrite.com).

Before we begin, I would like to remind you that during today's call, we will be making forward-looking statements regarding future events and financial performance. We caution that such statements reflect our best judgment as of today, August 6, based on factors that are currently known to us, and that actual future events or results could differ materially due to several factors, many of which are beyond our control.

For a more detailed discussion of the risks and uncertainties affecting our future results, we refer you to the section titled Forward-Looking Statements in our Shareholder Letter and our filings with the SEC. We undertake no obligation to update any forward-looking statements made during the call to reflect events or circumstances after today, or to reflect new information or the occurrence of unanticipated events, except as required by law.

During this call, we will present adjusted EBITDA and free cash flow, both of which are non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and have limitations as analytical tools. You should not consider them in isolation or as substitutes for analysis of our results of operations as reported under GAAP. Reconciliations to the most directly comparable GAAP financial measures are available in our Shareholder Letter and we encourage you to read our Shareholder Letter as it contains important information about GAAP and non-GAAP results.

And with that, I'll now turn the call over to Julia Hartz, Co-Founder and Chief Executive Officer.

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## Julia D. Hartz

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

Thanks, Ron. Hi, everyone, and thank you for joining us on the call today. We hope that you and your loved ones are healthy and safe. As I reflect on the last few months, I'm struck by two things; the durability of our founding vision and the resilience of independent creators. Building self-service solutions for the many challenges that our creators face in their day-to-day work has always been the center of our strategy. We believe the second quarter's impressive activity on the platform speaks to our customers' resilience and creativity, as well as our unique ability to rapidly evolve to meet their needs.

In the second quarter, overall event volume held at nearly three-quarters of prior-year levels. We processed more than 40 million total event tickets on the platform, with nearly 5 million paid event tickets, thanks in large part to a surge in online event activity. Tickets to online events increased more than 30 times from last year, as creators used our platform to extend their reach and host more frequent events. In fact, the number of events hosted per creator grew 55% compared to last year. We are seeing creators expand their events nationally and globally.

In our Shareholder Letter, we featured one such creator. Haymarket Books hosted a thoughtful online discussion with author Ibram X. Kendi, which helped them expand beyond their local audience to contribute to the global discourse on racial justice. The powerful virtual event gathered 17,000 attendees. This is just one example of how creators are reaching new audiences with Eventbrite.

Creators are also using Eventbrite to delight and engage their audiences with free events. Free event ticket volume was 70% of the year-ago level in the second quarter and actually grew year-over-year in July. Many of these events are also being hosted online and at increasing frequency. By offering expansive and unique features, we continue to build stronger relationships with creators as they rely on Eventbrite to drive the success of their businesses.

While we are pleased with the strong creator engagement, paid ticket volume remained below normal levels in the second quarter due to restrictions on in-person gatherings. We are, however, seeing encouraging signs as creators are adapting to the current environment. Paid event tickets improved consistently throughout the second quarter and also in July, and we are seeing particular strength in the Self Sign-On channel.

We will not predict the shape or duration of recovery, but we are prepared for any scenario. We are using this time to position our platform and product experience to be the very best solution for event creators to continue rebuilding the live experiences economy. We are committed to providing creators with the critical features to both navigate this temporarily changed world as well as thrive into the future.

To help us realize our product-driven vision and accelerate our progress, we are pleased to welcome Vivek Sagi to our team as Chief Technology Officer. Vivek brings more than 20 years of experience leading globally

distributed and high performing engineering team. When he starts next week, Vivek will report directly to me while leading over 200 engineers worldwide.

I remain as confident as ever in Eventbrite's enduring mission and the ingenuity of our creators. We believe that by solving creators' unique needs in this critical time, we will not only cement Eventbrite as the platform of choice for live events around the world, but expand our market share in the future. The steps we've taken during this time to drive greater efficiency and focus, while accelerating platform improvements and shipping critical features, makes us an even stronger company.

Before I turn it over to Lanny, I want to pay deep respect to our team for the steadfast dedication and focus on what is most important. Their unwavering commitment to our customers and each other has helped Eventbrite continue to hold the central and vital position in serving millions of event creators and ticket buyers during this time.

And with that, I'll turn it over to Lanny.

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## Charles C. Baker

*Chief Financial Officer, Eventbrite, Inc.*

Thanks, Julia. As reported in our Shareholder Letter, second quarter 2020 revenue was \$8.4 million compared to \$81 million a year ago and adjusted EBITDA was a loss of \$20 million for the quarter compared to breakeven one year ago. However, those headline figures do not immediately reveal the underlying resilience we see in our creators or the inherent strength residing within our platform.

Going a layer or two deeper, we can share more of that picture. After hitting a low in late March, paid ticket volume rebounded in April and then grew by 33% from April to May. Paid tickets grew by another 38% from May to June. 45% of total paid ticket volume for the quarter was transacted in June and paid ticket volume in July was 10% higher than in June. For July, total paid ticket volume was down 71% year-to-year, a very nice improvement from the 90% declines we saw in March.

Within those figures, smaller, highly local, frequent creators, who are our mainstays and the focus of our self-service business, have fared even better. Paid ticket volume in our Self Sign-On channel has improved consistently since late March. SSO paid tickets were down 80% year-to-year in April, 70% in May, 60% in June and by just over 50% in July. It's been heartening to see and to support this steady progress within our self-service franchise.

Smaller, highly entrepreneurial creators have demonstrated again their characteristic nimbleness during the pandemic, as reflected in the exponential growth of online events on Eventbrite. We processed more than 27 million free and paid tickets to online events in the second quarter, compared to just 850,000 a year ago and 4 million in the first quarter of 2020.

More than 70% of Eventbrite creators who hosted an event in the second quarter organized at least one online event, and about half of these creators were brand new to Eventbrite. Not only are we helping existing creator customers shift their businesses online, we're also acquiring new creators thanks to the flexibility and ubiquity of our platform. Results like these, during a time of enormous social and economic challenge, reinforce our confidence in the long-term opportunity in our market and in our business.

Let me now turn back to our financial results for the second quarter. I'll not go through the results line-by-line because these are covered in detail in our Shareholder Letter. However, I do want to call attention to certain COVID-related impacts in the second quarter.

First, reported revenue of \$8.4 million for the quarter was reduced by \$3.4 million in reserves related to anticipated ticket fee refunds in services revenue. Second, total operating expenses of \$34.4 million for the quarter were reduced by \$18.1 million due to a partial reversal of the APO reserve we booked in the first quarter of 2020. This reversal was recorded within sales, marketing and support, and reflects progress we've made reducing APO exposure, which I'll get back to in a minute. Third, we recorded \$6 million in severance and other costs associated with our expense reduction initiative. And finally, we recorded \$3.2 million in expenses associated with impairments of creator contracts and fees.

Netting it all out, operating expenses would have been \$43.4 million in the quarter, excluding these COVID-related impacts. On that basis, operating expenses were down roughly \$22 million or 33% from the second quarter of 2019. This puts us slightly ahead of plan on our path to over \$100 million in annualized expense savings.

Moving to the balance sheet, Eventbrite's available liquidity, which is essentially our cash and cash equivalent, less payables and cash from ticket sale proceeds that we hold on the creators' account, was \$360 million at June 30, up from \$151 million at the start of the quarter. This increase in available liquidity reflects the private placement of senior notes as well as the convertible bond offering we completed during the quarter.

The company's advanced payout balance, which is cash advanced to creators ahead of events occurring and is therefore netted out of creator payables, stood at \$253 million at June 30 and had declined to \$244 million by August 5. Since we suspended the APO program in early March, we've reduced what was originally a \$354 million outstanding balance by \$111 million or 31%, with less than \$4 million in cumulative refund or chargeback losses for Eventbrite.

This healthy progress has been enabled by our product, payment and operations teams, who have worked diligently to serve creators and attendees during an unprecedented period in our industry. Based on the progress we've made and the trends we've seen, we reduced our reserve for future APO losses by \$18 million in the quarter.

Looking ahead to the rest of 2020, our outlook remains clouded by the ongoing impact of the pandemic and the near-term uncertainty this presents for live events. While strength in online events and amongst smaller creators on our platform have propelled increases in paid ticket volume and revenue since March, we expect paid tickets and revenue to remain well below normal levels in the second half of the year.

Excluding processing fees, we expect cash costs, which were \$36 million in the second quarter, to be between \$33 million and \$35 million in the third and fourth quarters of this year. Our monthly adjusted EBITDA loss was in the \$5 million to \$8 million range in June and July.

In conclusion, our second quarter results reflect at once the external pressures on our industry as well as the benefits of steps we've taken to position Eventbrite for the future. We've sharpened our focus on self-serve, made our operating model leaner and strengthened our financial resources. We believe Eventbrite is ready to emerge from the pandemic a stronger company and a trusted partner to creators everywhere. We're inspired by the ingenuity and resilience of those creators, and we are committed to supporting their success today and into the future.

With that, let's open the line for questions please, operator.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Your first question comes from the line of Youssef Squali from Truist Securities. Your line is open.

**Nathan Mitchell**

*Analyst, Truist Securities*

Q

Hi. Great. Thanks. This is Nate Mitchell on for Youssef. Lanny, maybe just starting with you. How do you think we should think about the APO closure trajectory from here? On the one hand, I think the rate of improvement seems to have slowed since you last disclosed it. But on the other hand, you're reversing some of the reserves and it sounds like you're even starting to open the program back up. So, would love some more color there on how we should be thinking about the trajectory of this exposure?

**Charles C. Baker**

*Chief Financial Officer, Eventbrite, Inc.*

A

Sure, Nate. We're pleased with the progress we've made and how the APO balance has resolved thus far. Our efforts to manage the APO balance, which include reaching out to creators, providing them with the ability to more easily process refunds, introducing new features like ticket credits, have very significantly helped reduce the APO outstanding over the course of the summer.

Creators have come [ph] forth the refund (16:16) the overwhelming majority of refunds and they continue to proactively communicate with their attendees about postponements and rescheduling of events. So, thus far, we haven't seen a large number of charge-backs that required funding by Eventbrite. To-date, as we said, it's been less than \$4 million of charge-backs and refunds.

And as we look forward and we look at those trends and the experience we've had to-date, we determined that the reserve we took originally 90 days ago was larger than we need. It will take some time to resolve the remaining \$250 million – \$244 million outstanding today of APO balance. But from where we sit right now, things have been moving forward in a pretty productive way and we feel like it's a situation we'll continue to be able to manage fairly effectively.

We've got another five or six weeks on the summertime concert and festival season. As we get through that, I think we'll know just a little bit more about how the balance will ultimately resolve. Things look good so far.

**Nathan Mitchell**

*Analyst, Truist Securities*

Q

Great. Thank you for that color. Julia, I wanted to hear maybe if you could expand a little bit on the opportunity with online or virtual events. How do you think about the total addressable market or revenue opportunity for online events? And how should we think about monetization levels? Are you seeing creators gaining more confidence that they can charge for these kinds of events? Any color there would be really appreciated.

**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Sure. Thanks, Nate. Well, I think that online events presents an unprecedented opportunity for our event creators to expand their audiences beyond their local or even national boundaries. And so, one of the most impressive things that we've seen has been the reach that our creators can have, particularly on the Eventbrite platform, because we are a global platform. So we already have embedded in our marketplace international consumers who are looking for ways to connect with each other over things that they have in common. And I think that that has been a big driver of growth for our creators.

We're seeing frequency be another opportunity in online events, obviously, with both consumer behavior shifting to the available and also to the adopting online formats for events. Creators are meeting that pent-up demand with new formats and ways to be able to connect with them through live events. So the strength and growth in online events on the platform is one that I think is both a testament to the creativity and the entrepreneurialism of our creators, as well the ubiquity of the Eventbrite platform in all live experiences.

I think as we start to continue up this adoption curve and see more online events become – these formats become more mature, we'll be looking for opportunities to help our event creators monetize these live experiences. And I think predominantly today we see a big portion of these online events are free. We think there's an opportunity in that. The fact that online – that our free event tickets grew year-over-year in July gives us a lot to work with in that regard in terms of the momentum.

**Nathan Mitchell**

*Analyst, Truist Securities*

Q

Awesome. Thanks. I'll get back into the queue.

**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Thanks, Nate.

**Operator:** Your next question comes from the line of Ryan Sundby from William Blair. Your line is open.

**Ryan Sundby**

*Analyst, William Blair & Co. LLC*

Q

Yeah. Hi, guys. Thanks for taking my questions. I guess, Lanny, maybe just to start, to follow up on the APO question. If we look at that \$244 million balance, is there a way to help us understand how much of that is related to events that have been postponed, so that attendee has taken a credit for a future event? I'm just trying to understand that, what's out there that maybe really [ph] is net risk (20:34) for you guys?

**Charles C. Baker**

*Chief Financial Officer, Eventbrite, Inc.*

A

Sure. Well, let me make one point clearly first, which is that there's a difference between holding a ticket for a future event and taking a credit for a future event. Attendees would hold a ticket for a future event when the same event was being postponed or being rescheduled. There are other cases where with a new product offering that we've introduced, a attendee is able to take a credit for some as yet to be defined and yet to be scheduled future event. And both of these are ways for us to assist this market to effectively clear in a very highly unusual time.



It's been really heartening to us to see that in the vast majority of cases, north of 98% of the time, when there has been a call for any kind of refund, the creators have stepped forward to send that money back to Eventbrite. Eventbrite has then forwarded that money to attendees. We've also seen a significant number of attendees say, effectively, I'm going to hold my ticket, I'm going to wait for that future event. And we haven't seen a influx of charge-back requests that has been at all inconsistent with our normal historical experience, even though we're going through such an unusual time.

So, we look forward, I think that the ultimate resolution of the APO balance is very likely to be creators communicating with attendees about postponements, eventually putting those events back on the calendar. And that'll be matched by some of the things we're seeing from attendees where they may be willing to forego the ticket, they may be willing to donate the ticket value and, in other cases, they may ask for either a refund or a credit.

But it's been heartening to see the – these are communities that we serve, communities of creators serving their communities of attendees in most cases. And there is a healthy relationship between both of them and, in some ways, they look out for each other just as we look out for all of them.

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**Ryan Sundby**

*Analyst, William Blair & Co. LLC*

Q

Okay. Great. That's certainly helpful. And then I think, Julia, as we see paid ticket volume and free ticket volume build each month, is there anything you see in the data around what types of events are coming back or are there any geographies that we stand out either here in the US or globally that you would call out as a trend or [indiscernible] (23:14)?

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**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Sure. So we're consistently seeing smaller format events, whether they be classes, workshops, seminars, really at the top of the category list in smaller and more frequent patterns. So the events for creator increasing 55% year-over-year is a signal that creators are able to host these more frequent intimate events, whether it's online or in-person.

In terms of in-person events, nothing major that I would point to right now in terms of a trend, except for the fact that in places like New Zealand where you see the recovery of COVID be quite remarkable, we've seen over the last eight weeks the recovery of that market on Eventbrite. So they have almost erased the decline that they saw in the initial COVID outbreak and the shelter-in-place order over the last eight weeks. While it's a small country, obviously, it's significant in terms of the signal that we can get on how quickly people want to get back out and out to live events.

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**Ryan Sundby**

*Analyst, William Blair & Co. LLC*

Q

Yeah. I know that's great to hear. I'll jump back in the queue.

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**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Thank you.



**Operator:** [Operator Instructions] Your next question comes from the line of Doug Anmuth from JPMorgan. Your line is open.

**Ryder Cleary**

*Analyst, JPMorgan Securities LLC*

Q

Hi. This is Ryder on for Doug. Thanks for taking my questions. I'm curious how we should think about the sales channel in 2021 and beyond. You've talked about there being possibly an 80:20 mix between Self Sign-On and Sales. But is it possible that creators in the Sales channel are kind of sticky just due to Eventbrite's brand recognition and the fact that they're used to the product?

And then, my second question is, you've talked about how Self Sign-On creators have a 30 times LTV to CAC ratio. And I'm wondering if that implies maybe an opportunity to spend more marketing dollars there. Or if those creators are just inherently acquired better through word of mouth? Thanks.

**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Thanks so much. I'll take the first question and I'll let Lanny chime in on the second. So, in terms of the sales channel, what we imagine, as we've re-centered our business model around our core self-service ticketing platform and particularly the strength in our Self Sign-on channel, is that Sales continues to be an important part of the picture going forward. This Sales motion is going to be different. We believe that there is significant market opportunity in serving and – in acquiring and serving self-serve creators, and we think that they can come through either channel.

While the Self Sign-on channel is higher margin and faster growing, the Sales channel does play an important role in helping us identify strategically important creators who are bringing compelling supply and inventory to the marketplace. And so, as we think about the future of Sales, it's much more of a identification of high value frequent creators as well as an onboarding mechanism, versus selling sort of adjacent services or a high-tech service in addition to the technology. We know that we have great strength in our self-service ethos. It's what we founded the Eventbrite platform on 14 years ago and we'll continue to lean into that. So we think the two go hand-in-hand quite well.

Lanny, do you want to take the second question?

**Charles C. Baker**

*Chief Financial Officer, Eventbrite, Inc.*

A

Sure. We have a really attractive lifetime value to customer acquisition cost dynamic in our self-service channel, particularly when measured in the classic sense of looking at paid marketing dollars that are used to acquire customers. And this is really built on a couple things. It's built on a very strong organic presence for Eventbrite that goes to our history, and probably more importantly, just the breadth of our event content of our creator, footprint of our geographical reach, that helps us from an organic perspective be kind of at the top of the list. Whether you're looking for an online event or in-person event, we kind of show up really, really well.

We bolster that with investments in content, in data, our product, and thought leadership, publishing pieces that are based on data and trends we see in the marketplace to help creators be thoughtful about when to host events in this environment, for instance, or how to migrate and communicate with a in-person crowd, as you might try to move a in-real-life event to online. And these things as well have very attractive return on investment. And we'll keep doing those things and I anticipate that that will be the mainstay of Eventbrite's customer acquisition activity.

There is room to spend on customer acquisition. Recently, we've seen some very attractive payback periods on acquiring online creators or creators of online events and spent a little bit of money there. But I anticipate that we'll continue to leverage our online – sorry, our organic presence rather than drive a big increase in paid spending for acquisition.

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**Ryder Cleary**

*Analyst, JPMorgan Securities LLC*



Great. Thanks.

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**Operator:** [Operator Instructions] Your next question comes from the line of Ryan Sundby from William Blair. Your line is open.

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**Ryan Sundby**

*Analyst, William Blair & Co. LLC*



Yeah. Hi. Thanks for the call. I guess, Julia or Randy, as you see the free event actually grow in July, can you talk about the importance of data and driving volume to the system and how that helps you, I guess, craft what categories to go after or what events are working? And as we think more broadly, back to more of a normal world, where we're seeing maybe hybrid models and much bigger audiences that can tag on to live events, how you see that evolving your use of data and discovery and the volumes [indiscernible] (29:38)? Thanks.

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**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*



Thanks. We think about data as being a table stakes element of our growth plan. So, when you talk about online events and particularly that – actually the growth of free events rather, this opportunity for us to reach a broad audience and a global audience of consumers is very valuable because not only does it allow us to introduce new consumers to Eventbrite, it also allows our event creators to take advantage of the global marketplace and the broad, broad scale of our platform to be able to grow their base of customers as well.

And so, one good sort of practical use of this data is being able to draw consumers into the Eventbrite ecosystem and help them find even more events to connect to. We've seen a high repeat rate of consumers who are coming to more and more online events. And in July, we had over 1 million consumers follow four or more event creators through our destination, meaning they're able to get real-time updates from those creators when they publish new events. They're reminded of ticket sales that are happening for events. And that creates a much stickier experience for these consumers and also improves their retention rates. So, that's one way that we can use the data that we're collecting through free event ticket registrations in order to help the whole ecosystem grow.

The second is that, on the category front, we're able to identify where consumers want to be, what they want to be connecting with, whether it's an online event or an in-person event, and then we can point our marketing machine towards that. We can publish case studies through our content channel, we can spend on performance marketing. Some of the newer trends that have been popping up recently are in-person events at drive-in movie that are in the United States or, globally, social activism events that we've been able to really put front and center on our homepage and see an incredible conversion rate of those events by really garnering the search results that we see on Eventbrite, and then being able to serve up curated, high-quality content to meet those needs.

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**Ryan Sundby**

*Analyst, William Blair & Co. LLC*



That's great to hear. Thank you.

**Operator:** Your next question comes from the line of Heath Terry from Goldman Sachs. Your line is open.

**Heath P. Terry**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks. Just wanted to dig a little bit deeper into the online opportunity, particularly into with the new CTO onboard, into sort of the tech investments that you need to make to really fully take advantage of what online and particularly hybrid events could become over time. Hopefully, we do get back to normal, but the idea that maybe some part of online, some part of this will be with us for a longer time.

What role do you see for Eventbrite? Where do you want – with a new CTO, what does sort of the first 100 days and beyond kind of look like from a priority perspective and the spending that needs to sort of go with it to really take advantage of that?

**Julia D. Hartz**

*Co-Founder, Chief Executive Officer & Director, Eventbrite, Inc.*

A

Thanks, Heath. Well, I think about it from three different factors: one, platform; two, product; and three, marketing. So on the platform front, there is no rest for the weary at Eventbrite right now. We are just jamming through some of the upgrades that we've been wanting to make to our infrastructure for quite some time and then taking advantage of the lower activity on the platform to be able to create an acceleration around those improvements, those fundamental building blocks.

So, particularly an investment and a continued one around making our platform faster, more reliable and more flexible because that allows us to build faster, deliver faster value to our customers. It also allows us to integrate with best-in-class software that can be critically important to our small business customers who are launching or pivoting new business models at this time.

The second is the product experience. Core to who we are is the ease-of-use nature of how people can use our product and the features that we offer that are completely self-service for our customers. We know that there is a road map ahead of us to be able to continue to improve on the core functionality of our product experience that particularly meets the needs of frequent paid creators, so things like reporting or being able to publish and manage series events much more easily.

And then the third is marketing. We talked a little bit about data and one of the ways in which we can help our customers succeed is by pointing them in the right direction of how they can become much more efficient and successful marketers for their events. There will be pent-up demand, no doubt, when we emerge out of this period of time. But building and rebuilding new businesses is going to be an incredible opportunity for our creators, and we think we'll be right there with them as those green shoots start to grow.

So, in terms of Vivek's first 100 days, his background is very much in transformation and being at front and center and taking platforms like ours to the next level. That's really where his head is going to be, in addition to getting to know all the bright links remotely around the world. And the investment on all of these vectors will remain consistent with what we set out to do in 2020. Because we've been able to strategically shift and narrow our focus on the most important things, we know that we can continue to be consistent in that investment and still stay within the range of financially healthy as we face this future.

**Heath P. Terry**

*Analyst, Goldman Sachs & Co. LLC*



Great. Thank you so much.

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**Operator:** [Operator Instructions] And there are no further questions at this time. Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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