CONSENSUS CLOUD SOLUTIONS

Q4 AND 2024 RESULTS

February 19, 2025

5:00pm ET

Operator

Good day, ladies and gentlemen, and welcome to Consensus Q4 2024 Earnings Call. My name is Paul, and I will be the operator assisting you today. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions].

On this call from Consensus will be Scott Turicchi, CEO; Jim Malone, CFO; Johnny Hecker, CRO and Executive Vice President of Operations; and Adam Varon, Senior Vice President of Finance.

I will now turn the call over to Adam Varon, Senior Vice President of Finance at Consensus. Thank you. You may begin.

Adam Varon

Good afternoon, and welcome to the Consensus investor call to discuss our Q4 and year-end 2024 financial results, other key information and our 2025 full-year and Q1 2025 guidance. Joining me today are Scott Turicchi, CEO; Johnny Hecker, CRO and EVP of Operations; and Jim Malone, our CFO.

The earnings call will begin with Scott providing opening remarks. Johnny will give an update on our operational progress since our Q3 2024 investor call, and then Jim will wrap it up to discuss Q4 2024 and full-year 2024 financial results, then provide our full-year '25 and Q1 2025 guidance range. After we finish our prepared remarks, we will conduct a Q&A session. At that time, the operator will instruct you on the procedures for asking a question.

Before we begin our prepared remarks, allow me to direct you to the forward-looking statements and risk factors on Slide 2 of our investor presentation. As you know, this call and the webcast will include forward-looking statements. Such statements may involve risks and uncertainties that would cause actual results to differ materially from the anticipated results. Some of those risks and uncertainties include, but are not limited to, the risk factors that we have disclosed in our 10-K SEC file.

Now let me turn the call over to Scott for his opening remarks. Scott, take it away.

Scott Turicchi

Thank you, Adam. Q4 was another solid quarter for Consensus. We saw an improving revenue growth rate in our corporate channel and a continuation of the slowing rate of revenue decline in our SoHo channel, both of which resulted in reaching the high end of our quarterly revenue guidance. Based in part on planned increased marketing spend, we expected an EBITDA margin in Q4 of 51%, which we were able to obtain.

We were also able to repurchase approximately $20 million in debt during the quarter, bringing us closer to our goal of total debt to EBITDA of less than 3x. Looking at the full-year, it was very successful against our stated objectives for 2024. We were able to exceed our expectations for corporate revenue growth coming in just shy of 5% for the year against an expectation of 3.1% at the midpoint of our guidance.

Similarly, in our SoHo channel, we saw a decline of 13.3% against an expectation of a decline of 14.5%. This combination allowed us to exceed our midpoint of guidance by $5.3 million in revenues for the year. As we stated each quarter, our focus was on driving EBITDA productivity while rationalizing our online marketing spend. We achieved margins for the year of approximately 54%, which is at the high end of our range of 50% to 55%.

More importantly, this EBITDA translated into a record $88 million in free cash flow. We utilized this cash flow plus cash balances to repurchase approximately $144 million principal amount of debt during the year and $207 million since the program's inception in late 2023. Additionally, we continue to add customers to our corporate channel, especially in the health care sector, increased the pace of rollout to the VA facilities and started to see traction with our Clarity offerings.

We are excited for 2025 and beyond. Johnny and Jim will provide granular detail for our guidance, but I will make a few observations. We see a continuation of the trend for improved corporate growth and a slowing of the decline in SoHo. This combination has us flat for the year-end revenues at the midpoint of our range, an improvement over the revenue decline of 3.4% experienced in 2024.

From an operational perspective, we believe that we could hold EBITDA margins flat with 2024 but view this as a mistake given the opportunity in our space. Based on the two years of work that Johnny and his team have done to realign the sales and marketing teams in the corporate channel, we will be adding personnel to our go-to-market operations throughout the year. While it will negatively impact our margin by approximately 1 percentage point in 2025, we believe it will provide us with the momentum to return to total revenue growth in 2026.

We've also begun to look at our capital structure in anticipation of the 6% notes maturing in October 2026. We will continue to evaluate the various options and markets available to us. However, based on what we know today, it appears that our most cost-effective and expeditious financing option will be to expand our bank line of credit.

This, combined with our intention to pay down an additional $30 million to $40 million of debt by October 2026, will give us ample proceeds to retire the notes and maturity. While we have looked at

refinancing both tranches of debt, the cost of retiring the currently noncallable 6.5% notes is prohibitive. We will update you throughout the year as our thinking gels on our refinancing options.

I will now turn the call over to Johnny.

Johnny Hecker

Thank you, Scott, and hello, everyone. Today, I'd like to discuss our Q4 and full-year 2024 results, focusing on revenue, customer count and go-to-market strategy for both our corporate and SoHo business channels. Additionally, I'll provide an operational update and share some insights into our 2025 outlook.

The corporate business demonstrated strong growth and increased momentum in Q4 with a revenue increase of approximately 7.1%. Revenues grew from $49.4 million in Q4 last year to $52.9 million this year, contributing to a full-year corporate revenue of $209.1 million. This represents a 4.8% growth rate year-over-year compared to $199.6 million in 2023. The extraordinary growth rate in Q4 was driven by several factors. Q4 of last year was impacted by a focus on collections, resulting in increased customer terminations and customer loss.

These factors significantly impacted Q4 2023 revenues and the 2024 entry run rate. Therefore, normalized for these impacts of business days, we still achieved growth of approximately 5.5% in Q4 of 2024. I am very pleased with the business showing strong performance considering seasonality. We are seeing continued consumption growth, especially in Cloud Fax within the health care sector.

Our existing customer base is using our services more and new customers are being implemented and ramping up. This results in a revenue retention rate of 100.5% for fiscal year 2024, a notable improvement of 170 basis points from 98.8% one year ago and also increasing from 99.8% in Q3. Our go-to-market strategies, emphasis on customer retention, upselling and cross-selling has produced positive results, which we are very happy to see.

The success and momentum in the corporate revenue channel are further evidenced by this encouraging indicator, which we believe to be sustainable going forward. We have achieved a record high corporate customer count of approximately 59,000 just with the eFax Protect which is a fully automated e-commerce offering for corporate customers and the SoHo upsell to corporate program alone, we were able to add more than 3,000 customers to the corporate account base in Q4. This is another successful quarter for customer acquisition.

The corporate ARPA remained seasonality-related stable at $304 roughly matching the $306 figure from the same period in the previous year. Full-year ARPA ended at a robust $311 for the entirety of 2024 compared to $316 in 2023. This is explainable with our e-commerce success and the large number of customers we added at the lower end of the corporate customer continuum throughout 2024. Our 2024 go-to-market strategy has proven successful, and I am delighted with the results providing tailwind for this new fiscal year.

Let me quickly provide an update on the VA. The ECFax solution offered in partnership with Accenture Federal Services has shown great progress in its initial deployment at the Department of Veterans Affairs. In 2024, ECFax revenue exceeded $2.6 million. With the recent FedRAMP High impact authorization awarded just last week, we expect this growth to continue in the coming years, potentially reaching up to $5 million in corporate revenue contribution in 2025.

The conclusion of the FedRAMP high authorization will make the solution more attractive to other government agencies. Additionally, with a fully operational platform in place, future deployments are expected to be faster than our experience with the VA which required us to build the entire platform in a government-approved cloud environment.

Moving on to the SoHo channel. Revenue for Q4 was $34.1 million, down 11.1% from $38.3 million in the same period last year. 2024 fiscal year SoHo revenues were $141.3 million versus $162.9 million in 2023, a planned decline of better-than-expected 13.3%. The total SoHo account base also saw a slight decrease from 768,000 to 747,000 during the quarter.

SoHo revenue for the fourth quarter exceeded our initial projections due to the strength of our brand portfolio and targeted marketing initiatives across multiple brands. We are continually optimizing SoHo revenue management through close monitoring of these initiatives and marketing programs.

In the fourth quarter, the ARPA increased slightly to $14.99 from $14.88 in Q3 of 2024 and the cancel rate remained stable at 3.38%, the same as in Q3. The full-year cancel rate for 2024 showed improvement, decreasing to 3.4% from 3.54% in 2023 at an overall ARPA of $14.92 down from $15.31 in fiscal year 2023. This is due to the introduction of the discounted first month versus a free trial period.

Our focus on automating and optimizing customer acquisition programs has yielded continuous improvement. This strategy's success is evident in performance across all brands exceeding our initial projections. We will continue on the path of integrating digital advertising and SEO with a focus on a healthy LTV to CAC ratio. In conclusion, I'd like to share our outlook for 2025 and an update on the current market conditions first for SoHo and then in a bit more detail for our corporate channel.

In 2025, we will continue to prioritize profitability and stability by optimizing our current operations and resources for the SoHo business just as we did in 2024. Our focus will be on leveraging existing strengths and offerings to ensure long-term sustainability. We will not pursue aggressive growth strategies.

For 2025, we are planning for approximately $128 million in SoHo revenue at the midpoint of guidance, down from $141 million in 2024. The decline rate will slow down from 13.3% in 2024 to approximately 9.5% in 2025. We intend to maintain this trend while continuing to carefully control and optimize our marketing expenses.

Looking at 2025 for the corporate channel. Despite macroeconomic and political uncertainties, we remain cautiously optimistic in light of the encouraging signs that we are currently observing. The health care sector experienced a period of slow decision-making and reluctance to invest following the rapid

growth due to the pandemic. However, we are now seeing encouraging signs in our market performance and a return to normality.

The 2023 realignment of our go-to-market strategy and our focus on customer retention and product suite optimization have proven successful. We will continue to prioritize our Core Fax business. Our advanced solutions, specifically Unite and Clarity are perfect additions to eFax and are generating significant market interest.

Unite and Clarity, featuring AI technology for data extraction and conversion facilitate interoperability and advanced data processing. We are happy to share that we are in full production with Clarity with accelerated implementation and promising proof-of-concept for clients.

Advanced solutions only marginally contribute to corporate revenue at this point and in 2025. However, they are strategically relevant from a go-to-market perspective, especially with health care being of such relevance to our business. Our entrenched market position, our strategic partnerships and our rigorous execution set us up for continued improvement in our growth rate. Our goal is to achieve corporate revenue of $222 million at the midpoint of guidance in 2025, which would reflect a 6% to 6.5% growth rate compared to 2024 and keep us on track to exceed 5% despite 0.5% fewer business days in 2025 compared to 2024.

Within the next two to three years, we aim to accelerate growth in the corporate business channel into the double-digits. Overall, at the midpoint of our guidance, we anticipate a flat revenue year at $350 million and growth in the years thereafter, which is encouraging and an improvement from what we had projected just a year ago.

I want to wrap up by expressing my sincere gratitude to our employees for the exceptional dedication and to our customers and partners for their ongoing collaboration and trust.

And now I'll hand the call over to our CFO, Jim Malone, who will provide an update about our financial results and guidance. Over to you, Jim.

Jim Malone

Thank you, Johnny, and good afternoon, everyone. In our press release, and on this earnings call today, we are discussing Q4 2024 and full-year 2024 results plus 2025 full-year and Q1 2025 guidance. We expect to file our fiscal '24 10-K by close of business today.

Let's start with our corporate business results. Q4 2024 revenue of $52.9 million increased $3.5 million or 7.1% versus prior year, performing better than expectations.
As Johnny mentioned, the strong growth in Q4 2024 was influenced by AR cleanup and customer terminations previously mentioned in our Q4 2023 call. Normalized for these factors and seasonality, we achieved a strong Q4 2024 corporate growth rate of approximately 5.5%. Q4 2024 corporate ARPA of $304 was essentially flat, and when adjusted for seasonality in Q4 2024 versus Q4 2023 was roughly in line with $306 of the prior year comparable period.

Full-year corporate revenue of $209 million is up $9.5 million or 4.8% versus prior year continuing an upward growth trajectory into 2025. Full-year 2024 corporate ARPA ended at a solid $311 compared to $316 in the prior comparable period and in line with the last several quarters' range of $305 million to $320 million.

As Johnny mentioned in his remarks, this is heavily influenced by our e-commerce success and the large number of customers we added at the lower end of the corporate customer continuum throughout 2024. Full-year 2024 revenue retention increased above 100% to 100.5%. An improvement of 170 basis points from 98.8% in fiscal year 2023 and a sequential increase of 70 basis points from 99.8% at Q3 2024.

Moving to SoHo. Q4 2024 revenue of $34.1 million decreased $4.3 million or 11.1% over the prior year, better than expectations. As I mentioned previously, this decrease is driven by our planned reduction in advertising spend and the corresponding year-over-year base reduction due to fewer paid ads. ARPA of $14.99, a decrease of approximately 1% year-over-year as a result of shifting to price plans with discounted first month versus a free trial. These plans continue to be net economically beneficial. It should be noted that year-over-year paid ads were up 3,000 despite an approximate 30% reduction in Q4 2024 year-over-year advertising spend.

Churn of 3.38%, while up slightly year-over-year is in line with the last several quarters and within expectations. Full-year SoHo revenue was $141.3 million, down $21.7 million or 13.3% versus prior year as we reduced our advertising spend by approximately 50% in 2024 versus 2023. SoHo ARPA revenue of $14.92 down from $15.31 largely driven by the discounted first month promotion, with full-year customer churn of 3.4% versus 3.54%, a 14 basis point improvement.

Moving to consolidated results, Q4 consolidated results. Revenue of $87 million is a decrease of $0.8 million or 0.9% over Q4 2023, performing better than expectations. Adjusted EBITDA of $44.4 million versus $47.2 million in Q4 2023 delivered a 51% EBITDA margin in line with expectations.

Adjusted net income $25.8 million is an increase of $4.4 million or 20.8% over prior year, primarily driven by a non-cash FX revaluation on intercompany balances and lower net interest expenses offset by unfavorable EBITDA flow through, depreciation and amortization and taxes. Adjusted EPS of $1.32 is favorable to prior year by 18.9% or $0.21, driven by the items I just mentioned and a modest higher share count. Q4 2024 non-GAAP tax rate and share count was 20.6%, approximately 19.6 million shares.

Full-year consolidated results. Full-year 2024 revenue was $350.4 million is a decrease of $12.2 million or 3.4% over the prior year, largely driven by the planned decline in our SoHo business, partially offset by better than expected growth in corporate. This was approximately $5 million more than the midpoint of our guidance.

Full-year 2024 EBITDA was $188.4 million, an increase of $1.8 million or 1% from the prior comparable period. The improvement is driven primarily by lower advertising spend and cost optimization efforts.

Adjusted net income of $109.2 million was $9.4 million or 9.4% favorable versus the prior year comparable period.

Adjusted EPS was up $0.54 or 10.6% compared to the prior year. This is primarily due to the foreign exchange revaluation on intercompany balances and lower net interest expense partially offset by higher taxes. The 2024 non-GAAP tax rate and share count was 20.6% and approximately 19.4 million shares, respectively.

Moving to our capital allocation strategy. As mentioned in our November 2023 earnings call, we announced a $300 million 3-year bond repurchase program. Q4 2024, we repurchased $20.1 million face value for $20 million in cash. Our continued strong cash flow has allowed us to repurchase $207 million face value bonds for $193 million cash program to date, and we have $93 million remaining under our current authorized program. We expect our free cash flow to be similar to 2024 providing us with sufficient cash to meet our leverage target by the maturity of our 6% notes.

With the debt repurchases just mentioned, total debt to adjusted EBITDA is 3.2x. Net debt to adjusted EBITDA ratio is 3x, and we are getting very close to achieving our total debt to adjusted EBITDA target of 3x. We ended fiscal '24 with cash of $34 million, which is sufficient to fund our operations and repurchase our debt and equity. Full-year 2024 free cash flow is $88 million versus $77 million in the prior comparable period on strong cash flow from operating activities with CapEx of $33 million, down $3 million or 8% versus the prior year.

Moving to 2025 guidance. Full-year revenue between $343 million and $357 million with $350 million at midpoint. Adjusted EBITDA between $179 million and $190 million with $185 million at midpoint. Adjusted EPS between $5.03 to $5.42 with $5.22 at midpoint. Full-year estimated share count and income tax rate are 20 million shares and 20.5% to 22.5% with 21.5% taxes at midpoint, respectively.

Please remember that our 2025 guidance results exclude foreign exchange gain losses on revaluation of intercompany accounts. I'd like to comment on this change and how we will report adjusted net income beginning in our Q1 2025 financial statements.

Our adjusted net income calculation will eliminate foreign exchange gains and losses on intercompany balances in both periods, 2025 and 2024. This line item can fluctuate significantly from period-to-period, and this operating metric does not represent the company's operating performance. Therefore, we are eliminating it from our results.

As stated in our press release filed today, the impact on the full-year 2024 EPS was $0.18, resulting in a pro forma EPS of $5.45 excluding the 2024 foreign exchange gain. For the first quarter of 2025, we have provided guidance as follows: revenues between $85 million and $89 million with $87 million at the midpoint.

Adjusted EBITDA between $44.8 million and $47.8 million with $46.3 million at the midpoint. Adjusted EPS of $1.26 to $1.36 with $1.31 at midpoint. Estimated 2025 share count and income tax rate are 20 million shares and 20.5% - 22.5%, respectively.

This concludes my formal remarks, and I'd like to turn the call back to the operator for Q&A. Thank you.

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions]. And the first question today is coming from David Larsen from BTIG. David, your line is live.

Q: Hey, congratulations on the good quarter. Can you maybe talk about the uptake of your advanced products, in particular, like Clarity, jSign? At the ViVE Conference, there was a lot of talk about the use of AI to basically like submit appeals, letters to health plans to basically convert written data into structured data to assist with the adjudication of claims. Any color on the uptake there and processes there would be helpful? Thank you.

Johnny Hecker

Yes. Hi, David, this is Johnny. Very good question. Thank you for that. Yes, so we're excited about where we are with Clarity today. The product is in full production and maybe to give a little bit of insight of what the product does, it applies artificial intelligence and the underlying LLM models to extract or to understand basically unstructured documents, primarily for us, obviously, coming from the fax world, that is also capable of ingesting documents from other channels and then extract based on the prompts that were programmed individual data points and put those into a structured data format and then import those in, for example, an EHR system or any kind of system through a variety of file formats. We can customize those for our customers.

So there's a lot of demand for that. There's a lot of POCs. We have a few systems actually in production already. So we're able to win customers to sign contracts. We're in deployment, we're in production. There's a lot of ideas of what can be done with the technology like that, which makes it a little bit more difficult on the deployment side, which is why we need a lot of proof-of-concepts to really fine-tune this for individual customers.

But we're also very much focusing on developing replicable solutions. We've mentioned this in the past. We have two models that are out there right now, one for prior authorization purposes. So understanding of prior authorization requests, extracting data points there and accelerating the processing of those. And secondly, basically categorizing and classifying clinical documents and then extracting primarily patient demographics.

But also additional data points regarding insurance and those kind of things and then creating a CCDA document and then forwarding that document in a structured format and basically providing two things, the unstructured documents it can still be read by the human eye plus a structured data file with these demographics. So that accelerates the process of filing these documents within, for example, EHR systems. What we're currently not doing is really extracting things like diagnosis or more complicated text. We're really very much focused right now on the structured data fields.

Q: That's great. Thank you. And then just at a high level, corporate revenue growth, I think it was up 7% year-over-year. That's a pretty substantial acceleration from -- I think you were at like 2.7% earlier in the year. I mean, what are your expectations for corporate revenue growth going forward on a quarterly basis? And just any general color on the demand environment. Have we turned the corner? Thanks very much.

Scott Turicchi

So I think in terms of the numbers, as Johnny pointed out, Dave, the 7.1%, while it is a correct mathematical calculation, we did have a variety of account cleanups in Q4 of 2023. So we believe that's not the best comparison. And I think as Johnny noted in his prepared remarks that more normalized year-over-year growth is about 5.5%. Still the best of the four quarters in 2024. And you're correct, we had a low of 2.7%, so just under 3% in one of the preceding quarters.

So as we look out, you'll see the midpoint of the guidance, about 6.25% growth in corporate. As Johnny mentioned, there's a slightly fewer business days in '25 versus '24. That matters to us, particularly in corporate. So I think that it will not, as you saw in '24, be necessarily linear or equal in each of the four quarters because there is some volatility in terms of timing of wins and onboarding of customers.

But I think if you look at the exit rate of 5.5% and you look at the annual target of 6.25%, there's obviously not a lot of variation between the two. So you should expect, I think, from an analytical standpoint, a reasonably smooth progression from where we exited Q4 to getting to that number for the full fiscal year. And our expectation is we'd be at a somewhat higher run rate going into '26. And then you want to talk about some of the demand?

Johnny Hecker

Yes. Yes. So I mentioned it on the call, right? I think I called it cautiously optimistic. We're seeing more than just green shoots. We're actually able to close deals. We see a little bit of acceleration in the decision-making. We are collecting the fruits.

And there's two factors to this. On the one hand, I think the market has normalized a little bit. Like I mentioned it on the call, there was a lot of tailwind during the pandemic. There was a lot of fast decision-making, people just needed to get stuff done. So we profited from that. But then post pandemic, we had the exact opposite. So it was more of a headwind and I think that market condition has finally normalized. That is one of the things that happened.

And secondly, we did align our go-to-market on the sales side as well as on the marketing side. And we started early in '23 to adjust to changed market conditions. And we have done a lot of things operationally. We have made some structural changes in our go-to-market and build the foundations that we need to now accelerate our growth.

So we feel like we're in a very good position and to your question, if we have turned the corner, yes, that's what it feels like. I think we're on an upward path. And I mentioned on the call, our ambition is to

get to double-digit growth in our corporate channel. Is that going to happen 2025 or 2026? Probably not, but the years thereafter, that's what we're expecting, that's what we're aiming for.

Scott Turicchi

Usual cost. Obviously, it assumes that the economy doesn't completely implode sometime between now and then. But I would expect you would have that as a basic assumption.

Q: Thanks very much. Congrats on a good quarter.

Scott Turicchi

Thanks, Dave. Appreciate it.

Operator

Thank you. [Operator Instructions]. The next question is coming from Fatima Boolani from Citigroup. Fatima, your line is live.

Q: Hey, great. Good afternoon. This is Mark on for Fatima. Thanks for taking our questions. Maybe can you guys give some finer details in terms of how the '25 go-to-market investments will be allocated? So looking to I guess is it towards adding more sales headcount to go after new customer cohorts or even new industries or pursuing new partnerships? And then just on timing, is there a ramp-up period associated with these investments to really put revenue acceleration in '26? Thanks.

Johnny Hecker

Yes. Thank you, Mark. Very good questions. There's multiple ways that we're investing. On the one hand, yes, it's particularly go-to-market and sales headcount, which we're expanding, that will be ramping throughout the year. And most of the impact will not happen in 2025. We will see some of it, obviously, but most of it is really investment into the future in '26 and beyond.

Like I mentioned to in the earlier question or the response to the earlier question, we had to build out that foundation and that structure to actually scale up and that's what we're focusing on right now. Obviously, still keeping our EBITDA margin in mind and managing that at a pace rate. The other thing that we're doing is we are continuously monitoring very closely our spend on SoHo and we have shifted over the last 1.5 years, and we'll continue to do so some of those marketing funds to our corporate marketing expense.

So we're attending a lot of trade shows. We're doing digital advertising. We're working on our thought leadership program. So there's a lot of marketing programs that we're doing to establish ourselves more and more in the market and generate demand for the corporate channel.

Scott Turicchi

And I would just add to that. I think in terms of the expense, if you're looking at how the expense spread, it's not perfectly ratable over the four quarters, but it does ramp from right now. So we actually are in the mode of hiring as we speak and actually already 45 days into the quarter over the balance of the year.

So you should expect that you're going to get some impact in Q1. It's going to be larger in Q2. Your biggest impact will be in Q4 because you have the cumulative effect of the four quarters of the incremental heads. So roughly, it's $1 million a quarter, but it's going to be much lower than that in Q1, and it will be slightly higher than that in Q4 in terms of the expense.

Q: Great. Thanks for the detail. And maybe if I could just follow-up. I know, Johnny, you mentioned you're building out the foundation of structure this year already in terms of go-market spend. So why aren't we seeing a little bit more call it, acceleration or optimism on '25 guide? Is there something that's holding you guys back? It seems like the demand is turning the corner. Your initiatives are gaining traction. So any sort of caution that's keeping you guys from being a little bit more aggressive on '25?

Johnny Hecker

Yes. Good question. I think we are seeing acceleration, right? If you compare it to our last year's growth rate, we're now going above 5%. That is a significant change looking at where we're coming from. One of the key reasons why we don't see the speed that you're asking about is the majority of that investment goes up market.

So I think our e-commerce engine, our down market and mid-market sales engine, they're operating very efficiently and very well, and they're adding a lot of customers so a number of accounts to our corporate base, but the revenue impact is by no means the size if you add like five or six of these very, very large customers with the VA probably being on the very top end.

So I've talked about the customer continuum in the past, and those upmarket customers have way longer sales cycles. And then once you have closed them, they also have longer ramp cycles. So if you think about sales cycles of six to nine, maybe sometimes 12 months, it takes a while to bring on those customers and then they ramp over the period of six to 12 months.

So sometimes it's a two year effect until you see the full impact of a customer like that onboarding. In the case of the VA, it's even longer. It took us two to three years to close the deal, and now we're in the process of rolling that out, which is another three, maybe five year process for full penetration.

Q: Great. Thank you guys very much.

Johnny Hecker

Thank you.

Operator

And there were no other questions.

Scott Turicchi

We had some questions, go ahead.

Operator

Apologies. Yes, I'm sorry, there were no other questions, but we did get one more come in from...

Scott Turicchi

Okay. We do have some questions via email. So let me take those while you queue the additional live questions. There's a few questions that came in by email. One is talking about the drivers of the range of growth for corporate, which would be 4.5% to 8.5%, 6.25% roughly at the midpoint in terms of our guidance. That will be driven predominantly through new customer additions as opposed to material changes in the ARPA.

As you've noticed, the ARPA tends to be in a fairly tight range of maybe $20 plus or minus $3.10, and we don't expect that that's probably going to shift materially this year. So the driver is going to come from new customer adds more than a material move in the ARPA.

The second question, I think, is an interesting one, but I don't think it's not the way we look at the business. And the question has to do with the SoHo churn rate, which obviously we report, and then there's a corporate churn rate. And the corporate churn rate, as we've discussed before, if you look at the actual cancel rate that's measured on accounts and it's everything from the small SMBs to the very largest customers we have, we actually think that's not that important a metric given the diversity of base that exists within corporate as opposed to SoHo, which is very homogeneous. The question though is, at what point do we expect the two cancel rates to converge?

And I'm not sure we ever expect them to converge, because what we do in SoHo now with a discounted first month has an elevation of the cancel rate. And you've seen it be very stable in a tight range of about 10 basis points over the last four quarters, since we introduced the new discounted first month. So if we were to stop that program, yes, we'd expect the cancel rate to come down.

But as long as we maintain that program and we're thinking about 230,000 to 250,000 gross adds in a year, most of which will come into that program that will keep the churn on a more elevated basis relative to the corporate, which has the benefit of, yes, some higher churn at the lower end but offset by almost negligible churn at the larger account or strategic account level.

So I'm not sure, certainly, we don't expect them to converge this year. We haven't done enough work to look at whether there might be a convergence point two to three years out.

And then the final question coming from email is as we look out beyond '25, there's a presumption we'll continue to build cash, we would agree with that. In terms of the dynamics of the business and the free cash flow, what are the intended uses for it?

As I noted in my prepared remarks, to get to our number between now and October of '26, there's probably $30 million to $40 million of debt repayment that we would need in order to go under that 3x total debt to EBITDA. Obviously, we expect to have much more cash beyond that $30 million to $40 million. Some of that will be jurisdictionally trapped. So not all of it is readily available for what we call U.S. activities. But I would say that cash beyond what we need for the debt service would be allocated primarily going forward to stock repurchases.

You'll notice our board today did extend the stock repurchase program, which expired. It was a three year program that was put in place shortly after the spin. This is the third anniversary. We bought about one-third of the stock under that original authorization. The board has extended that out another three years. We're keeping the amount that's remaining, which is about $68 million. So certainly, based on the stock valuation, that would be an opportunity.

And then I think as we start to march further out, and we've obviously done, I think, an excellent job of rationalizing our debt structure to date, we start to bring M&A into play. And so we'll start to look at not only the returns that we think we get in buying in our stock at whatever the spot price is, but also what are opportunities in terms to add to our business. And that can occur in many different flavors, there's obviously some that are more fax-centric.

There are some that are more interoperable space, there's some that bridge across both. But those are things that increasingly, while I wouldn't say we're completely done with the debt piece, given the progress we've made, we can start to turn our attention, at least in part, to allocating some of our future cash flow and for that matter, potential borrowings to M&A.

Okay, back to the live questions.

Operator

We did have a question coming from Matthew Sandschafer from Mesirow. Matthew, your line is live.

Q: Hi, everyone. How much of the corporate growth in 2025 is derived from the VA rollout specifically? And do you expect any of the disruption currently going on the federal bureaucracy and in HHS in particular, to have as well as potentially the VA to have any effect on the VA business or the larger health care space for you?

Scott Turicchi

Yes. Short answer to that, I think, as Johnny mentioned that we did a little over $2.5 million of revenues last year. We're obviously on a run rate exiting '24 at a higher level than the booked amount. We're

assuming about $5 million contribution from the VA this year and we don't anticipate that based on what's already been done to date, the rollout, that the VA contract would be impacted.

Obviously, you got to have the usual caveats. Every day, there's new executive orders. There's new people in charge of various departments. There's threats that various departments may not exist. You all know that. But what we see in our conversations, both with what would now be Accenture who is the acquirer of Cognosante who is our partner as well as people within the VA, we see that the rollout will continue unimpeded.

Q: Do you see any potential impact across the health care space overall?

Scott Turicchi

No.

Q: Okay. Thank you.

Operator
And there were no other questions from the line. So I'll now hand the call back to Scott Turicchi for closing remarks.

Scott Turicchi

Great. Thank you, Paul. We appreciate you all joining us today for a review of 2024 and our first look into 2025. As I mentioned in my opening remarks, certainly as we have our quarterly calls for Qs 1, 2 and 3, we'll provide you, obviously, not only a status update on the financial results, but also as our thinking evolves and ultimately solidifies in terms of the actual amount and size and timing of the refinancing of the '26 notes.

As I mentioned in my remarks, at this point, it looks like we will go a bank debt route, which will get a line in place such that we'll have the proceeds necessary that upon maturity, we can draw upon that line to repay whatever is left of the 6% notes.

So I look forward to as we have our next call in May to discuss Q1 results, we'll give you whatever update is available on that. Between now and then, we're at a variety of conferences, there will be press releases out. There are a combination of equity conferences as well as leverage or debt conferences. And of course, if you have any questions between now and the next earnings call, feel free to email us. Thank you.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time, and have a wonderful day. Thank you for your participation.