REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q1 2025 Consensus Cloud Solutions Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2025 / 9:00PM GMT

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

CORPORATE PARTICIPANTS

Adam Varon *Consensus Cloud Solutions Inc - Senior Vice President Finance*
Scott Turicchi *Consensus Cloud Solutions Inc - Chief Executive Officer, Director*
Johnny Hecker *Consensus Cloud Solutions Inc - Chief Revenue Officer*
James Malone *Consensus Cloud Solutions Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

David Larsen *BTIG LLC - Analyst*
Gene Mannheimer *Freedom Capital Markets - Analyst*
Ian Zaffino *Oppenheimer & Co - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Consensus Q1 2025 earnings call. My name is Paul and I will be the operator assisting you today. (Operator Instructions) On this call from Consensus will be Scott Turicchi, CEO; Jim Malone, CFO; Johnny Hecker, CRO and Executive Vice President of Oper 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 *Consensus Cloud Solutions Inc - Senior Vice President Finance*

Good afternoon and welcome to the Consensus investor call to discuss our Q1 2025 financial results, other key information and our 2025 full year and Q2 2025 quarterly guidance. Joining me today are Scott Turicchi, CEO; Johnny Hecker, CRO and EVP of operations; and Jim Malone, CFO.

The earnings call will begin with Scott providing opening remarks. Johnny will give an operational update on the progress since our year-end 2024 investor call, and then Jim will provide Q1 2025 financial results, then discuss our full year 2025 and Q2 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 our forward-looking statements and risk factors on slide 2 of our investor presentation.

As 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 filing.

Now let me turn the call over to Scott for his opening remarks.

Scott Turicchi *Consensus Cloud Solutions Inc - Chief Executive Officer, Director*

Thank you, Adam. As noted in the press release, I am pleased with the results of the first quarter. This quarter was primarily without any of the volatility introduced by the tariffs, most of which were announced on April 2. We slightly exceeded our revenue objective with corporate revenue posting 5.6% growth over Q1 2024 ahead of our budget and the best growth year over year in eight quarters on a normalized basis. So revenue was in line with our expectations. We carefully watched our cost structure and exceeded our EBITDA expectations by more than the outperformance on revenue. We delivered a robust 54.2% adjusted EBITDA margin.

As we discussed on the Q4 earnings call, our goals for this year include the following. First, to pursue the acquisition of customers primarily in the healthcare space for our corporate channel and driving revenue growth to 6.25% this year. Two, to manage our cost structure while making modest investments primarily in our go to market operations for the benefit of 2026 and beyond.

Three putting our bank loan refinancing in place for the retirement of the remaining 6% notes due October 2026. And finally, number

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

four, managing the SoHo channel for cash flow efficiency which we began last year.

While Johnny will provide more detail on his portion of the presentation, I am pleased that our corporate channel exceeded our revenue expectations in Q1, driven by strong usage, improved revenue retention, new customer acquisition, and increased contribution from our advanced products. In addition, eFax Protect had record sign-ups. In addition, at the VA, we continue to see more facilities come online and a record level of usage. All of these contributed to the 5.6% growth year over year.

I am pleased to report that while revenues for the SoHo channel declined in the quarter as anticipated, it was the slowest rate of decline since we began the program to reduce marketing costs. We maintained our discipline on the cost side across the board, generating an EBITDA margin of 54.2%, 100 basis points ahead of our Q1 expectations.

Free cash flow for the quarter was $33.7 million modestly down from Q1 of 2024 due to increased receivables from our growing corporate channel and lower revenues in EBITDA year-over-year. We continue to expect our free cash flow in 2025 to be similar to 2024.

We were able to repurchase approximately $10 million of debt in the quarter and an additional $6 million so far in Q2. This brings brings our total repurchases since launching the program in November of 2023 to $222.6 million, reducing our total outstanding debt to approximately $582 million or 3.1 times our trailing 12 month adjusted EBITDA on a gross basis and 2.9 times on a net basis. We have made progress on the bank financing and expect it to be finalized in late Q2 or early Q3.

Before turning the call over to Johnny, I would like to comment on the recent volatility in the markets and concerns in the economy regarding a slowdown in economic activity. First, the nature of our business is such that we are not directly impacted by the tariffs and related negotiations. Second, we provide an essential service of critical and secure information delivery across a variety of industries.

As part of our normal quarterly process, we did look at a potential slowdown in the economy in the back half of the year with a reduced annual GDP output that is modestly positive but less than the GDP growth expected upon entering this year.

Under such a scenario, we would expect a modest headwind to our revenues in Q3 and Q4, but still be within our range of guidance. To be clear, this is a stress test against our annual plans and budgets, not our base case. We are not currently seeing any impact from the tariffs and related negotiations. We will closely monitor the situation as events develop.

I will turn the call over to Johnny to provide more operating details.

Johnny Hecker *Consensus Cloud Solutions Inc - Chief Revenue Officer*

Thank you, Scott, and hello, everyone. Thank you for joining us today to discuss our Q1 2025 results. As always, I will be focusing on key areas such as revenue, customer account, and go to market strategies for both our corporate and SoHo business channels. I will also provide an update on our operations and share some insights and highlights.

I'm happy to report that our corporate business continues to demonstrate positive momentum. In Q1 2025, we saw revenue reach a record high of $54.3 million representing a solid 5.6% increase compared to the $51.4 million in Q1 2024. It is important to remember that business days significantly impact our corporate business. Q1 2024 had an additional business day because of the leap year, which makes this quarter's growth rate the best since Q1 of 2023 on a normalized basis, even more impressive and supports our confidence in achieving double-digit growth for this business channel.

The exceptional Q1 growth rate stems from several factors sustained increase in cloud fax consumption within healthcare, greater advanced product adoption among existing and new clients, and the onboarding of new customers. We attribute this positive trajectory in our corporate revenue channel as a direct result of our focus on maximizing customer satisfaction through innovative product expansion that delivers tangible value. This approach is not only driving strong retention, but also fostering enduring customer loyalty.

I am excited to report on the increase in our revenue retention rate by 55 basis points since just last quarter to now 101% for the last trailing 12 months, well in line with our target of at least 100% and significantly higher than the 97.9% in Q1 of last year. Our corporate

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

customer base has grown to a record approximately 60,000 at the close of Q1, up 9% year-over-year.

A key driver of the success was the strong adoption of eFax Protect and the continued effectiveness of our SoHo to corporate upsell program, which together contributed over 3,700 new corporate accounts during the quarter within our lower SMB cohort alone. This robust growth underscores the ability to effectively penetrate the market and strengthens our confidence in future expansion across the corporate customer base.

We observed a positive sequential trend in corporate ARPA, increasing by almost $3 to $307 from the previous quarter. However, our current corporate ARPA of $307 represents a $10 decrease year over year from Q1 of 2024. This reflects the inherent dynamics of our corporate customer portfolio, where the ARPA is both supported by large enterprise clients such as the Department of Veterans Affairs. And moderated by the success and growth within our lower S&P cohort.

Speaking of the VA, we are pleased to report that the rollout continues with significant momentum and urgency. While we navigated the recent disruptions and uncertainties within the government and contractor ecosystem, our commitment to delivering this highly efficient offering remains steadfast. Usage within the VA is steadily increasing, and new deployments are proceeding as planned, reinforcing our confidence in the program's success.

Furthermore, our recent Fed high authorization has given the circumstances, generated substantial interest and engagement from other government agencies, revitalizing our public sector pipeline. While we anticipate the tangible impact of these developments will materialize beyond 2025, the public sector remains a core pillar of our product and go to market strategy.

Before moving on to SoHo, I'd like to provide some key insights into our revenue composition and the central role of cloud fax. It's crucial to highlight that cloud fax remains the cornerstone of our revenue, consistently contributing over 90% to our corporate revenue and exceeding 95% of our total revenue. It's ongoing growth underscores its enduring importance to our business. Therefore, our core facts business will continue to be a priority.

Complementing this strength, we're delighted to see increasing adoption and broader usage of our advanced solutions like Unite and Clarity featuring AI technology for data extraction. Furthermore, we leverage and continue to see success with our integration solutions which we've further enhanced since the 2022 summit acquisition. The growing customer engagement with these offerings alongside eFax reinforces the validity of our go to market and product strategy particularly within the important healthcare protocol.

We are very happy with the strong momentum we've carried into 2025. This positive start, driven by our successful strategies, provides the tailwind needed to achieve our ambitious goals in our corporate business for the fiscal year and beyond. Onto our SoHo channel.

We've recorded Q1 revenue of $32.8 million compared to $36.8 million in the first quarter of the previous year, representing a planned decrease of 10.6%. This reflects our ongoing strategic focus on optimizing profitability and maximizing the efficiency of our advertising investments in this business.

As anticipated, the total global SoHo account base experienced a slight reduction from $747,000 to $730,000 during the quarter. While SoHo ARPA saw a minor decrease to $14.83 in Q1 of 2025 from $14.99 in Q4 of 2024, we're encouraged by the continued improvement in our SoHo cancel rate, which declined to 3.26% in Q1 of 2025 from 3.38% in the prior quarter. Our analysis reveals that the slight ARPA adjustment this quarter is primarily attributable to the residual effects of the 2024 holiday promotions last November and December.

Importantly, our strategic transition away from free trials across multiple brands is proving effective in enhancing the monetization of newly acquired customers and increasing paid acquisitions, a positive impact that is partially balanced by customer return. Our focus on automating and optimizing customer acquisition programs continues to yield success with a very close eye on return on advertising spend at a healthy lifetime value to customer acquisition cost, commonly referred to as LTB to (inaudible) ratio. Key to this success is our close collaboration with advertising partners and our focus on optimizing search results within the ever-changing search environment.

In closing, despite the prevailing macroeconomic landscape, our confidence remains strong. Our corporate business is delivering as

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

anticipated, supported by a robust pipeline and increasing customer engagement with our solutions. For our SoHo channel, our strategic direction is yielding positive results. While we maintain vigilance regarding macroeconomic factors, we are reaffirming our guidance.

Before handing off a big thank you to our employees for their dedication this past quarter and to our customers and partners for their continued trust and collaboration. We've had a great start into the year and we anticipate to continue that way.

With that, I'd like to turn the call over to our CFO, Jim Malone, who will now provide a detailed update on our financial performance and outlook, Jim.

James Malone ***Consensus Cloud Solutions Inc - Chief Financial Officer***

Thank you, Johnny, and good afternoon, everyone. In our press release and on this call today, we are discussing Q1 2025 results. And guidance for Q2 2025 and full year. We expect to file our 10-Q by close of business today.

Let's start with our corporate business results. Q1 2025 was a record quarter for corporate with revenue of $54.3 million, an increase of $2.9 million or 5.6% for his prior year, performing ahead of expectations. This represents the highest corporate growth year-over-year in the past eight quarters on a normalized basis. As Johnny noted, we continue to see growing fax usage which demonstrates strong demand for our core digital fax products.

Q1 2025 corporate offer of $307 is up sequentially by approximately $3 and down $10 over the prior comparable period primarily driven by the success of our growing eFax protect base within the lower SMMB cohort. Our record Q1 2025 corporate revenue delivered 12 -- a trailing 12 month retention rate of 101%, a [310] and 55 basis points are proven from the prior comparable period and Q4 2024.

Moving to SoHo, Q1 2025 revenue of $32.8 million compared to $36.8 million over the prior year represents a planned decrease of $3.9 million or 10.6%. We are continuing our strategic focus of optimizing advertising spend and profitability in the SoHo revenue channel. ARPA of $14.83 had a modest sequential decline, largely attributable to our holiday promotions in November and December of 2024. SoHo churn of 3.26%, improved 12 basis points sequentially, and 16 basis points year-over-year.

Moving to consolidated results. Revenue of $87.1 million represents a decrease of $1 million or 1.1% versus Q1 2024 performing in line with expectations and an improvement of 3.6% in Q1 '24 versus '23. Trusted EBITDA of $47.3 million is a decrease of $0.8 million or 1.7% versus Q1 2024 delivering a solid margin of 54.2% and a 100 basis points favorable to our Q1 2025 guidance range.

As mentioned in our 2024 year and earnings call, adjusted net income calculation will eliminate foreign exchange gain and loss on intercompany balances both in current and prior comparable periods. This line item can fluctuate significantly from period to period, and the metric does not represent the company's operating performance. Therefore, beginning this quarter and going forward, adjusted net income will not include this foreign gain and loss.

Q1 2025 adjust the net income of $27 million is an increase of $0.1 million or 0.2% versus Q1 2024, adjust the net income of $26.9 million. Primarily driven by lower net interest expense offset by adjusted EBITDA flow through depreciation and amortization and taxes. Trusted EPS of $1.37 is unfavorable to the prior year by 2.1% or $0.03 driven by the items I just mentioned and a higher share count. The Q1 2025 non-ga tax rate and share account was approximately 21.2% and 19.7 billion shares.

As mentioned in our November 2023 earnings call, we announced the $300 million three-year bond repurchase program. In Q1 2025, we repurchased $10 million face value bonds at par and an additional $6 million in Q2 2025 to date. Our continued strong cash flow has allowed us to repurchase approximately $223 million face-value bonds for approximately $209 million cash program to date. With approximately $77 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 on and before the maturity of our 6% notes. Scott noted in his opening remarks, we are working on the refinance process for a bank loan to retire our remaining 6% notes to October 2026. We expect the bank loan to be completed in late Q2 or early Q3.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

With the debt repurchases just mentioned Q1 2025, Total debt to adjusted EBITDA is 3.1 times. Net debt to adjusted EBITDA ratio is 2.9 times, and we're getting very close to achieving our total debt to adjusted EBITDA target of 3 times. We end the Q1 2025 with cash of approximately $53 million which is sufficient to fund our operations and repurchases of our debt and equity.

Q1 2025 key -- free cash flow is $33.7 million versus $35.8 million in the prior comparable period, primarily due to the increased receivables from a growing corporate channel and lower adjusted EBITDA. CapEx of $7.1 million was down $1.8 million or approximately 19% versus the prior year.

Going to guidance, we are reaffirming our 2025 full year guidance as follows. 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. Just the EPS of $5.03 to $5.42 with $5.22 at midpoint. Full year estimated share account and income tax rates are approximately 20 million shares and tax rate between 20.5% and 22.5% with 21.5% at midpoint. Please remember that as previously mentioned, our 2025 guidance and actual results exclude foreign exchange, gain or loss on revaluation of intercompany accounts.

For a second quarter, we are providing guidance as follows. Revenue between $85 million and $89 million with $87 million at the midpoint. Just the EBITDA between $45 million and $48 million with $46.5 million at the midpoint, adjust the EPS of $1.31 to $1.42 with midpoint of $1.37. Estimated Q2 2025 share count and income tax rate are approximately 20 million shares and a tax rate between 20.5% to 22.5%.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Larsen, BTIG.

David Larsen ***BTIG LLC - Analyst***

Hi, congratulations on the good quarter. Can you talk a little bit more about growth in corporate revenue? The growth rate looked pretty good to me, and I think you mentioned in your prepared comments that, the VA deployment is accelerating. I think you finally got like this formal paperwork and formal certification recently. Just any more color around like the government, sales process, the VA corporate growth would be great. Thank you.

Johnny Hecker ***Consensus Cloud Solutions Inc - Chief Revenue Officer***

Yeah, I can take that. Hi, this is Johnny. Hi David, thanks for getting on the call. Good questions. So to answer your first one, the corporate growth was really supported by by multiple things. First of all, we saw continued strong usage in, across our fax brands. Upmarket as well as down market, but significantly growth upmarket in our existing customer base. And then secondly, the adoption and deployment of advanced solutions, so that is starting to contribute there as well.

So all in all -- and adding new customers is the third big component of driving the corporate revenue in this quarter. So all in all good trends on all three of those fronts. Now with regards to the VA, yes, we got the Federal Empire certification, that was something that we announced last quarter already. That was an important milestone on that journey, something that the required from us and that we -- they have now accomplished.

That is unblocking -- excuse me, that is unlocking some new opportunities and also revitalizing a couple of older opportunities that had actually stalled in that public sector pipeline. So customers had had paused the process for a while and said we need you guys to finish that process, get that official certification, so that is helping us.

Are we going to see significant impact of this in in 2025? I don't think so. Maybe we'll close a couple of deals, but, as with the

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

government, it, it'll take a while to those ramp, and there's general, reluctance and uncertainty in the government space, right? In the ecosystem as well as within the agencies. So we're experiencing some of that, but we're encouraged by the engagement. We thought it would be significantly worse.

David Larsen ***BTIG LLC - Analyst***

Okay, great, and then in terms of like, SoHo, I completely don't understand how you're converting SoHo accounts to corporate, so the decline in revenue is intentional, but when would you expect that to sort of that declined to sort of moderate or perhaps, become like flat on a year-to-year basis. How are you thinking about, sort of the con the intentional by design contraction of SoHo, which is still a significant portion of total revenue. Thanks.

Johnny Hecker ***Consensus Cloud Solutions Inc - Chief Revenue Officer***

Yeah, so. that's a difficult question to answer because there's so many things that influence that that number right now we saw a little bit of a reduction in the cancel rates we're encouraged by the new customers that we're adding. So it's a good trend, which is why the revenue decline is actually slowing down in that space, but it's really a fun a function of multiple things, particularly on how much advertising spend, we're willing to expense every quarter in order to win new customers.

And we are monitoring that profitability very closely. So at the point where we don't, experience that to be profitable for us anymore, we will probably slow down that advertising spend which will accelerate that decrease in the customer base a little bit more. But at what point, whether it is going to be, in '26 or in '27, we will actually find that base. Or beyond, is unclear because, as long as it's profitable, it wouldn't make sense for us to stop also spending in that space. I don't know, Scott, if you or Adam, if you want to add.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Anything, I think that's well said. I think, as you referenced in your prepared remarks, what we watch very closely is the LTD to attack in terms of the marketing spend, and then on the flip side, if you look at the base, we look at actually look at each cohort. And what is going on in terms of their retention rates, hence, by implication their cancel rates. And so that's the math that guides us to how much we're willing to invest and then you run the math out and you can come up with some numbers, but it is proceeding according to the plan, it was actually developed more than a year ago, and it's proceeding consistent with our expectations for this year and what we said last quarter in terms of guidance, and I don't think one should expect. That there's a magic bullet that will suddenly cause it to stabilize certainly this year if not probably even next year.

David Larsen ***BTIG LLC - Analyst***

Okay, great. And then just one more quick one. Tariffs, I think I heard you say no impact. There's two potential areas of concern on the hospital side. Hospitals may face higher supply costs, so that might slow their purchasing of eFax solutions and then also on your side. Any technologies or hardwares, and I think what I'm, what I heard you say was you're not seeing any impact from tariffs either on the demand side or on your cost side.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

That's correct.

David Larsen ***BTIG LLC - Analyst***

Okay, thanks very much. Congrats on a good quarter. I'll hop back in the queue.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Hey Paul, before we go to the next live question, we've received a couple by email so let me take one of them because it leverages the conversation we just had with David regarding revenue growth. The question I'll summarize it is more about the company as a whole, but it really does feed off of the two pieces we just talked about, and that is.

The total to returning to total revenue growth for the whole company. So one, when we expect that to occur, obviously if we're going to be flat year-over-year, we do expect that to occur at some point during this year under our base case scenario. I would say that's really a Q4 event. And then the follow on question of that is, are we, do we expect that to persist?

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Now feeding off of Johnny's question, the answer would be, and of course there's always an economic caveat here that the economy doesn't do something wildly crazy. That we would expect the rate of decline of SoHo to continue to lessen as we see corporate increasing in its growth, so that should imply once we hit a positive total enterprise growth, that would continue. But as usual, hey, this subject to economic conditions and also subject to what Johnny just mentioned in terms of exactly how much we inject into the SoHo channel in terms of marketing spent.

Okay, Paul, there's another live question, I'm ready to take it.

Operator

Gene Mannheimer, Freedom Capital Markets.

Gene Mannheimer ***Freedom Capital Markets - Analyst***

Thank you. Good afternoon, and congrats on the good numbers. So related to those questions around growth of the corporate channel, Scott or Johnny, I think you talked about making some hires this year, maybe about 40 people in in sales and sales related functions. Can you talk about where that stands at this point and if I joined the call a little late, so I don't know if you talked about it already.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

No, Gene, we didn't really address in the detail. You're correct, you call for those that. We're not part of the Q4 call in February. We talked about as we go through this year, adding additional personnel, not exclusively, but predominantly in the go to market area, which is Johnny's area.

There was some modest amount of that in Q1, both for the plan. It does accelerate as we go through the year. So as I mentioned in my opening remarks, although our even margin was ahead of our own expectations, even the margin had been fully baked in, still would be somewhat higher than if you look at the midpoint of our guidance and the imputed margin.

So I'll turn over to Johnny to talk about some of the areas in which he's looking to hire over the course of this year, and then, the one caveat I would make is We're going to be very careful on these hires as we look at economic conditions, right now we're not seeing anything, whether it's the tariffs or the downstream effects from them in terms of the economy, but clearly if we were to see something go, materially negative in terms of the economy that might influence how many of those hires we want to bring in this year versus potentially pushing some of them into next year.

Yeah, (multiple speakers) don't you give Gene a flavor of some of the areas that you're looking at to enhance your your department.

Johnny Hecker ***Consensus Cloud Solutions Inc - Chief Revenue Officer***

Yeah, thank you, Gene. It's a really good question. We're, it's really across the entire customer life cycle, right? So we're strengthening a little bit on the marketing and on the operation side and then we're very much focused as we're able to capture a lot more down market through our e-commerce program, we're focused on hiring on the upmarket sales side where we still have to engage with the customer whether it's through sales representatives or sales engineers.

In order to win and retain those accounts and then beyond that it's about implementation and customer service, especially with the advanced products there, there's a little bit more engagement there so almost like a professional services, component to it that we're, but it's tiny from a revenue perspective, but for to onboard those customers, so those are the areas where we're hiring primarily upmarket sales. As well as customer on boarding and customer success management, and it's going.

We're on track, let's put it that way. I think we're putting a lot of emphasis onto our, on our leadership teams to really stay on top of this because, as we stated in the last call, this is an investment into the future and into 2026 and the growth beyond in that year and beyond, so.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Gene Mannheimer ***Freedom Capital Markets - Analyst***

Yeah. Great. Thank you for that color, Scott and Johnny. And my, so my follow-up would be just on the SoHo side. I understand the ARPA was down sequentially, as a result of the absence of the holiday promotion, but in theory, that ARPA of 1,483 probably be the low water mark for SoHo this year. Is that the way to think about it?

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Hard to say, Gene, because you know we do and we are doing right now, we do a variety of promotions and testing. So what occurred at the end of '24 or holiday promotions that are not ongoing now, but they bleed in because the customer base comes in at basically cheaper ARPAs that will affect. 2025 and then there's some things that can go in the other direction.

So look, I'll be honest with you, I don't get that focused or attuned on ARPA movements that are generally measured within nickels and and dimes because those are things that occur in the ordinary course. Based on different marketing programs that we're trying, different save programs, meaning when a customer wants to cancel, what is the save opportunity there? What might the pricing be on that? It's a mixture of a whole bunch of different categories. What I would say is that even with those things that we are doing and testing, I think the ARPA is probably within a fairly narrow range, but I can't tell you it's not going to take a few pennies lower in some subsequent quarter. It may very well do that.

Gene Mannheimer ***Freedom Capital Markets - Analyst***

Right, yeah, I'm thinking about is, like $15 something, in that area.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Yeah, I would say, look, I think we have fundamentally a $15 ARPA base of customers, but there is a band around it. Remember too, it's also the function of the mix across the different brands. So you've got some brands like Efax that will have. A higher price at full price, you'll have other brands that actually are below the $15 ARPA. So you've got another variable in there which is when we look at the, call it rounded [60,000] gross ads that come in in a quarter, what's the distribution across the different brands and that will in large part be driven by what we're doing marketing wise.

Gene Mannheimer ***Freedom Capital Markets - Analyst***

Got it. Okay.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

So there's a lot of different pieces that go into it, but yes, I think you can say that within a range around $15 you've got a relatively stable ARPA, but yes, it will move within that range, and by the way, same thing on the cancel rate. We do certain things that might negatively or positively on the margin and influence the cancel rate. And so can it move 10 bits either side of some mean? Yes.

Gene Mannheimer ***Freedom Capital Markets - Analyst***

Got it. Okay. Thanks very much.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Okay, Paul, before we go to another live question, I've got, another email question. There's actually two of them, but they're related. I'll put them under capital allocation, is probably the best way to address them. And one has to do with you may notice this in our press release, and you'll certainly see, it also in the financials and the queue that's filed this evening. We made a $5 million dollar investment, not in our own company, another company, and so the question is what is that in strategic value.

Some of you may remember that in, I believe it was early '23, we made an investment in one of our vendor partners in the advanced products or advanced services space. This is a follow on investment in the same company. I'm not at liberally to disclose the name or really much more about them right now as they're in the process of going out and raising capital, but I am certainly hopeful that we have our Q2 call in August. We'll be able to discuss this in much more robust detail. But to be clear, they're a third party vendor of ours. That we partner with in the advanced product area of our company and it is a follow on investment to what we made previously back in early '23. Now, the adjacent question that kind of go hand in hand is.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

And it's not really the way the question is what it's not really it's how it came about, but it's not actually the the right the right premise, but why are we building cash? So obviously we build cash from Q4 to Q1 in part because it's just a strong free cash flow quarter. Ques1 and Q3 are. We did buy some debt as both myself and Jim have noted, but it's been increasingly hard to buy the debt in the open market as we have shrunk down both the 6% and 6.5%, you see that in a year ago period or in earlier periods in '24, we might be able to get [$20 million, $25 million] in a quarter. We only got 10 this quarter, although as I noted, we did buy [$6 million] in Q2 to date.

We were a little late on on buying the shares. We quite frankly would have liked to have allocated some more capital to share repurchases, but we fairly quickly after the earnings call went into a closed window that did not execute. We bought very few shares during the quarter, but there is, as you look out between now and end of the year, there is actually a need, we need to build some amount of cash on our balance sheet. Because we're going out very shortly with our bank financing or refinancing, the goal of which is to take out the 6% notes and right now it's looking at like that will be a $225 million issuance combination of line of credit and term loan A. Those are secured. And our bond indentures, both the [6%] and even when they're gone, the [6.5%] have an interesting lean test, and the lean test is basically 50% of trailing 12 month EBITDA plus $50 million plus cash on your balance sheet.

So in order to fully utilize the line of credit, we need those numbers to add up. To at least $225 million. So it is our intention to continue to get back into the market in terms of applying our excess cash and cash flow towards both debt retirement and share repurchases, but we do have to be cognizant that certainly as we get out later in the year, we have certain cash balances to justify the lien amount for the loan that will be put in place, as I mentioned in my opening remarks, either late this quarter or early next quarter.

Okay, Paul, next question.

Operator

Ian Zaffino, Oppenheimer.

Ian Zaffino ***Oppenheimer & Co - Analyst***

Hey, good afternoon. This is Isaac Sellhousing on for Ian. Thanks for taking the questions. I just have two on the corporate business as well. In terms of corporate accounts, it's good to see the growth there, and you know you talked about the growth of eAs and the upsells, but. You also discuss if there are any notable ads for larger enterprise accounts and then secondly tying into that anything you could share on general sentiment from you know larger enterprise prospects in terms of making purchasing decisions. Thank you.

Johnny Hecker ***Consensus Cloud Solutions Inc - Chief Revenue Officer***

Yeah, this is Johnny. I can comment on that, absolutely. And it's a very good question. Thank you for asking that. Absolutely, yeah, we're adding customers and I think as I alluded to it at least a little bit in the, in my remarks, we're adding customers across the board, right?

So we've disclosed the number on the lower end, the number of customers that we're adding through certain programs. That's not all. We're also adding customers to other programs on the lower end, but we're adding new customers across the board all the way to very large enterprises. We have a robust pipeline. We've had a robust pipeline for multiple quarters, and we've been able to turn that pipeline into new customers as well. So, it's really corporate corporate success across the entire customer continuum.

Ian Zaffino ***Oppenheimer & Co - Analyst***

Okay, great, thank you very much.

Operator

Thank you, and there were no other questions at this time. I will now hand the call back to Scott Triki for closing remarks.

Scott Turicchi ***Consensus Cloud Solutions Inc - Chief Executive Officer, Director***

Great, thank you, Paul. We thank you all for joining us today for our Q1 2025 earnings call, and we will, as I mentioned in response to one of the questions, we'll report our Q2 results in -- within the first week to 10 days of August and obviously have an earnings call associated with that. There may be a couple of conferences that we attend between now and then, so be on the lookout for those announcements

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

and clearly if you have any questions that were not asked during this call, you can feel free to reach the company and we'll get back to you. 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.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025 Refinitiv. All Rights Reserved.

©2025 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.