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8:30am ET

**Operator**

Good day, ladies and gentlemen, and welcome to Consensus Q4 2025 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 morning, and welcome to the Consensus Investor Call to discuss our Q4 and year-end 2025 financial results, other key information, and our 2026 full year and Q1 2026 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 update on operational progress since our Q3 2025 investor call, and then Jim will discuss Q4 2025 and full year 2025 financial results, then provide our full year 2026 and Q1 2026 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 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 regulatory filings, including our annual 10-K and quarterly 10-Q SEC filings.

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

**Scott Turicchi**

Thank you, Adam. I'm extremely pleased with both the fourth quarter and full year 2025 results. I believe that we've closed the first phase of Consensus history and look forward to embarking on the next phase, which begins now. At the time of the spin 4-plus years ago, we had \$805 million of debt with a leverage of 4 times gross debt to adjusted EBITDA, a majority SoHo revenue business, tech debt, core product offerings that were cloud fax only, and a thinly-staffed company with 450 people. And all of this was before inflation spiked in 2022, adding an additional operational headwind. Material progress has been made on all fronts.

Through the hard work of our employees, much of it a grind, Consensus has generated more than \$800 million of adjusted EBITDA since spin, resulting in free cash flow of approximately \$375 million after investing approximately \$150 million in the business. This went to retiring tech debt, enhancing our core fax solutions, as well as adding other solutions benefiting primarily the healthcare sector. The free cash flow has been utilized primarily for the retirement of \$243 million of debt, bringing us down to \$562 million of debt at year-end and hitting our initial target leverage of 3 times total debt to adjusted EBITDA.

In addition, given the attractive valuation of our stock throughout most of the past 4 years, we have been able to repurchase \$57 million worth of our stock, or approximately 2.2 million shares, which represents about 10% of the shares outstanding at spin. We have added about 75 employees to our team over this timeframe, and we have shifted the business to its Corporate focus. So, I want to extend a big thank you to all of our employees who have been part of this transformation.

Before turning the call over to Johnny, who will provide you with much detail regarding both the quarter and the full fiscal year, I would like to note a few items. Historically, Q4 is always a more challenging quarter to forecast given holiday closures, vacations, and unpredictable weather. I'm highly encouraged that we beat our top-line objectives for the quarter, saw sequential growth in revenue from Q3, despite having 1.6 fewer business days in Q4 2025, and saw the corporate channel exit with a 7.3% growth rate, positioning us favorably for 2026. This is the third consecutive quarter of total revenue growth for the company.

The SoHo channel also beat our forecast as we saw improvement in customer acquisition in the latter part of Q4, which is continuing thus far in 2026. We remain focused on our cost structure while adding employees into our product and go-to-market operations during the quarter. We produced positive free cash flow in our most challenging quarter and, more importantly, hit a record \$106 million of free cash flow for the year, up 20% from 2024 on flat revenues.

We are well-positioned for the next phase of consensus. Johnny and Jim will provide details regarding our guidance for 2026, but I will make a few observations. We see a continuation of the trend for accelerating Corporate growth, approximately 9% at the midpoint of our guidance, and a similar rate of decline in SoHo as in 2025, approximately a 10% decline. This combination will have us grow approximately 2% at the midpoint of our range for the year in revenues.

From an operational perspective, we expect a modest flow-through of the incremental revenue to adjusted EBITDA, as we see increases in our cost structure roughly in line with inflation and have additional people investments that we'll make in the business, primarily again in product development and go-to-

market operations. We do not have any substantial maturities in our debt until 2028. We will monitor the debt markets to see if an opportunistic refinancing can be achieved, but more likely it will occur sometime in 2027.

We expect free cash flow to approximate the record level of 2025 and look to be more aggressive in our share repurchase program this year, given the free cash flow yield on our stock is more than 3 times that of our debt costs.

I will now turn the call over to Johnny.

### **Johnny Hecker**

Thank you, Scott, and hello, everyone. I want to frame my operational update today, not by starting with a list of numbers, but by highlighting the fundamental transformation of our business composition. We continue to see a decisive shift in how our customers utilize our network. This has been going on for a few quarters and has become an established trajectory, a significant acceleration in the utilization of our services within the corporate channel, showing a year-over-year increase in usage per business day that has remained in the double digits for 5 consecutive quarters.

For several quarters now, we have witnessed large healthcare organizations shift to the cloud. This is coupled with the desire to eliminate manual data entry and to improve workflows to increase productivity, reduce costs, and accelerate revenue. It is transforming our network from a passive transport layer into an operational contributor, driving notable surge in usage per business day.

At the same time, we benefit from our largest customers and channel partners' organic growth. As they grow, we grow. This is not accidental. It is the result of our deliberate strategy to build a highly durable recurring revenue platform. Operationally, we are seeing the continuation of a powerful trend, Corporate revenue solidifying its position as the substantial majority of our total top-line.

To put this in perspective, in Q4 2021, our revenue split was roughly 51% SoHo and 49% Corporate. However, by 2024, our Corporate revenue represented 60%. In 2025, that figure rose to 64%, and based on our current path, we project it will reach 68% in 2026. This confirms that we have successfully shifted our center of gravity to our highest value asset.

The fourth quarter served as a powerful evidence of this strategy. We delivered a record \$56.8 million in Corporate revenue, representing a 7.3% year-over-year increase compared to \$52.9 million in Q4 2024. Sequentially, we drove a notable increase from \$56.3 million in the prior quarter, despite having approximately 1.6 less business days in Q4. This performance is significant. It breaks a historical seasonal pattern of sequential decline in Q4 and marks our best Corporate growth rate since Q4 of 2022.

For the full fiscal year, we delivered \$222.7 million in corporate channel revenue, a 6.5% growth rate that validates our acceleration path and puts us ahead of the midpoint of the guidance we provided in February of 2025. We drove this growth through two primary operational engines, healthcare and the public sector.

In healthcare, we're successfully executing on our strategy to expand our trusted network, which serves as the critical foundation for our platformization journey. By entrenching our position as the secure transfer layer for sensitive data, we are creating the necessary infrastructure to layer on our advanced interoperability tools, effectively deepening our relationship and future wallet share with existing customers. We are already seeing the strategic logic validated by our deal quality.

We're observing a shift where healthcare clients are moving beyond simple connectivity and beginning to bundle our eFax Clarity AI solution to solve specific workflow bottlenecks. We're no longer just selling a connection. We're tackling a labor problem. This shift in customer conversation from price per page to value per workflow is the leading indicator that our platform thesis is taking hold.

In the public sector, eFax, our FedRAMP high certified eFax offering for the government is experiencing high demand across the public sector and non-government organizations of all sizes mandated to migrate to secure FedRAMP solutions, such as contractors supporting the government in claims processing, waste, fraud, and abuse prevention, or to operate government facilities. This surging demand is translating directly into a robust and growing pipeline, and we're actively investing in the expansion of our dedicated team and go-to-market capabilities to capture this opportunity.

The Department of Veterans Affairs, the VA, continues to be a major source of growth and a crucial reference account. It demonstrates our capability to operate securely and at scale, meeting the highest standards. Furthermore, the VA exceeded our 2025 expectations and is projected to contribute in excess of \$9 million this year.

Additionally, our State, Local, and Education, the SLED business has established itself as a second relevant pillar, growing significantly faster than the commercial space. I'm happy to report that our Corporate revenue retention rate stands at 101.3%, continuing our trend of operating well above the 100% target. This compares to 100.5% in Q4 of last year. Our total Corporate customer base is approximately 65,000, representing an 11.3% increase year over year. To ensure both stability and reach, we're executing a distinct barbell strategy, where the quality of this revenue is as important as the quantity.

On the enterprise side, the average revenue per account, ARPA, of our non-eFax Protect cohort has now increased for 4 consecutive quarters and is well above \$300 per month, while the account churn for the same cohort is the lowest in 7 quarters. This confirms that our largest customers are finding more value in our platform and expanding their usage.

On the volume side, we added approximately 7,000 new paid accounts in the quarter on a gross basis. This was driven significantly by our eFax Protect e-commerce engine. We successfully navigated the search environment shifts and e-commerce headwinds discussed last quarter, stabilizing our subscriber funnel.

Turning to our SoHo business, our operational focus remains on the efficiency and maximizing contribution margin. Revenue for the quarter was \$30.3 million, a decrease of 11.1% year-over-year, slightly ahead of our expectations outlined in our Q3 call. For the full fiscal year, we delivered \$127 million in SoHo channel revenue, a 10% decline versus 2024. We effectively managed our subscriber base to approximately 638,000, with ARPA holding steady at \$15.55.

Crucially, we're actively navigating the shifts of the search environment that created the headwinds we forecasted. While the first half of Q4 presented challenges, our operational turnaround plan yielded measurable success by the end of the quarter. Despite the traditionally soft holiday season, we saw sign-up metrics improve, and we're continuing to see those improvements into Q1 of 2026.

Most importantly, we have successfully reinvented and are managing this channel as the strategic cash engine. This managed decline in revenue is a deliberate choice, acceptable only when offset by increased efficiency or when explicitly funding our corporate channel strategy. This discipline ensures we're maximizing the long-term value of this asset to fuel our broader transformation.

Let me close my remarks by looking ahead. We view 2025 as the foundational investment year that has set the stage for 2026 and beyond. As a result of our go-to-market realignment, we're maturing as an organization, moving up-market, and deepening our footprint and our key verticals. You will see our revenue mix continue to shift toward Corporate and our advanced product suite. While cloud fax remains a robust growth driver, 2025 showed the first real success with our AI-based eFax Clarity offering.

While total revenue contribution is still early, the unit economic multiplier is key for our future growth. We're excited about the green shoots. Revenue contribution and expanding install base, solid exit run rate into 2026, increased number of POCs, and a clear go-to-market focus for 2026. While we don't and won't publish line-item product revenues, I'm excited to share that we have a clear line of sight to multimillion-dollar revenue contribution from eFax Clarity in 2026.

The public sector and VA wins are excellent indicators of our ability to grow outside our traditional comfort zone, and we are on track to prove it again with our advanced product suite. We remain laser-focused on our key targets, returning to total growth, setting us up for double-digit growth in the corporate channel, and expanding our advanced product footprint.

Finally, I want to express my sincere gratitude to our entire team for the execution during this transformative year, and to our customers and partners for their continued trust and collaboration.

With that, I will hand the call over to our CFO, Jim Malone, to provide the detailed financial update and our 2026 guidance. Jim?

**Jim Malone**

Thank you, Johnny, and good morning, everyone. In our press release and on the earnings call today, we are discussing Q4 2025 and full year 2025 results, plus 2026 full year and quarter one guidance. We expect to file our 10-K within the next few business days.

Starting with Q4 2025 Corporate results. Q4 2025, a record revenue of \$56.8 million, increased \$3.9 million, or 7.3% versus prior year, performing better than expectations. It was our highest quarterly year-over-year growth rate in 2025, and broke a historical trend of Q4 sequential revenue declines. It also represents the best year-over-year Corporate growth rate since Q4 2022. Revenue delivered a trailing 12-

month revenue retention rate of 101.3%, an improvement of approximately 80 basis points from the prior comparable period.

Our Corporate customer base of approximately 65,000 was up 11.3% over the prior comparable period. Q4 2025 Corporate ARPA of approximately \$290, a decrease of approximately \$13 from the prior comparable period, and approximately \$3 sequentially was in line with our expectations. As Johnny mentioned, Corporate ARPA, excluding e-Fax Protect, has increased for 4 consecutive quarters, and is materially greater than \$300 per month.

Moving to full year Corporate results. Full year Corporate revenue of \$222.7 million is up \$13.6 million, or 6.5% versus the prior year, and better than the midpoint of our initial 2025 guidance in February 2025. Our Corporate revenue has grown at a 7% CAGR from approximately \$170 million in 2021 to approximately \$223 million in 2025. Full year Corporate ARPA ended at a solid \$300 compared to \$310 in the prior year comparable period, and in line with the last several quarters range of \$290 to \$316.

Moving to Q4 SoHo results. Revenue of \$30.3 million is a decrease of \$3.8 million, or 11.1% over the prior year, and slightly ahead of expectations, considering a 13,000 year-over-year decline in paid ads. As Johnny mentioned, while experiencing headwinds in the first half of Q4 due to shifts in the search environment, our operational plans have seen measure success with sign-up metrics improving into Q1 2026. ARPA of \$15.55 is flat year-over-year. Churn of 3.5% is down sequentially and year-over-year by approximately 21 basis points and 8 basis points, respectively.

Full year SoHo results. As a reminder, our SoHo revenue decline is a deliberate choice that we made several quarters ago as we pivoted this revenue channel to a strategic cash engine. Full year SoHo revenue for \$127 million is down \$14.3 million, or approximately 10% versus prior year, which is in line with our original 2025 guidance range in February 2025 of a negative 11.5% to a negative 7.5%. SoHo ARPA of \$15.58 is up from \$15.39, with full year customer churn of 3.64% versus 3.56% in the prior period.

Moving to Q4 consolidated results. Revenue of \$87.1 million is the third consecutive quarter of consolidated year-over-year growth, an increase of \$0.1 million or 0.1% over Q4 2024. Adjusted EBITDA of \$45.2 million versus \$44.4 million in Q4 2024 delivered a solid 51.9% EBITDA margin and performed ahead of expectations.

Adjusted net income of \$27.3 million is an increase of \$3.1 million or 12.7% over the prior year, primarily driven by adjusted EBITDA, net interest expense, and depreciation and amortization. Adjusted EPS of \$1.41 is favorable to the prior year by 13.7% or \$0.17, driven by the items I mentioned. The Q4 2025 non-GAAP tax rate and share count were approximately 19.5% and approximately 19.4 million shares.

Moving to 2025 full year consolidated results. Full year 2025 revenue of \$349.7 million is essentially flat year-over-year near our midpoint of the 2025 full year guidance range. Full year 2025 adjusted EBITDA of \$186.9 million delivers a solid 52.4% adjusted EBITDA margin above our original 2025 full year guidance range. Adjusted net income of \$109.4 million was \$3.8 million or 3.6% favorable versus the prior year comparable period, driven primarily by operational performance and efficient capital management.

Adjusted EPS grew to \$5.62, up 3.1% or \$0.17 from the prior year, primarily due to the items I mentioned. This result exceeded our initial high-end guidance range and was close to the high-end of the revised guidance range provided on our Q2 call. The 2025 non-GAAP tax rate and share count was approximately 21% and approximately 19.4 million shares.

Moving to our capital allocation strategy. Free cash flow. We ended 2025 with \$106 million in free cash flow, an increase of \$18 million or approximately 20% versus 2024 on strong cash flow from operating initiatives. CapEx ended at \$30 million, a decrease of approximately \$3 million or 10% versus the prior year.

Debt and equity. Q4 2025, we fully retired our 6% bonds due October 2026 at par. Our current debt balance of \$562 million consists of 6.5% notes of \$348 million. Delayed draw term loan, \$150 million. Revolver, \$64 million. At December 31, 2025, we met our total debt to EBITDA ratio 3 times with a net debt to EBITDA 2.6 times.

Equity. Q4 2025, we repurchased 344,000 shares for \$8 million. For year 2025, we repurchased 1 million shares for \$23 million. And program to date, we have repurchased approximately 2.2 million shares for \$57 million. Cash and cash equivalents. We ended fiscal 2025 with \$75 million in cash, which is sufficient to fund our operations and capital allocation strategies.

Now on to 2026 guidance. Our full year guidance as follows. Revenue between \$350 million and \$364 million with \$357 million at the midpoint. Adjusted EBITDA between \$182 million and \$193 million with \$187.5 million at the midpoint. Adjusted EPS between \$5.55 to \$5.95 with \$5.75 at the midpoint. Full year estimated share count and income tax rate are approximately 19.1 million shares and 19.7 to 21.7 with 20.7 at the midpoint for our tax rate.

For our fiscal quarter of 2026, we are also providing guidance as follows. Revenue between \$85.4 million and \$89.4 million with \$87.4 million at the midpoint. Adjusted EBITDA, \$43.8 million and \$46.8 million with midpoint of \$45.3 million. Adjusted EPS between \$1.36 to \$1.46 with \$1.41 at midpoint. Q1 2026 estimated share count and income tax rate are approximately 19 million shares and 19.7 to 21.7 with 20.7 at the midpoint, respectively.

That concludes my formal comments. Now, I'd like to turn the call back to Scott. Thank you.

### **Scott Turicchi**

Thank you, Jim. Before taking questions, I want to draw your attention to an 8-K that we filed last night. As noted, our CFO, Jim Malone, will be retiring this year. He will stay on as CFO through the end of Q1, and then will transition to becoming a special advisor to me through the balance of the year. I want to publicly thank Jim for his more than 4 years at Consensus. He is ending on a high note and we will miss him.

As I noted in my opening remarks, we were leanly-staffed in late 2021. Jim came in and built a stellar finance and accounting department, culminating in the earliest investor call in 10-K filing in the company's

history. More importantly, he developed his successors internally such that upon him stepping down as CFO, the Board has approved effective April 1st for Adam Varon and our current SVP of Finance to succeed Jim as CFO; and Karel Krulich, our current SVP of Accounting to become our Chief Accounting Officer. Adam has 14 years with the business and Karel is approaching 4 years. I look forward to working with both of them and their respective teams.

We will now take questions.

### **Operator**

Thank you. At this time, we will 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 and the continued growth in total revenue and Corporate revenue. Can you talk about the demand environment that you're seeing? There's some concern around the Big Beautiful Bill Act, potential declines in exchange enrollment, potential declines in Medicaid enrollment. Is that putting pressure on hospitals' budgets or not? And just sort of as an anecdotal point, maybe you could sort of comment on the success of the VA, please. Thank you.

### **Scott Turicchi**

Yeah. Good morning. Thanks, David. Good questions. Really appreciate it. So, on the OBBBA and the Medicaid cuts, what we're seeing right now is hospitals have figured it out. We hear from our customers, they usually budget in the last calendar quarter of the year, they went into a little bit of a halt mode and just monitoring what was happening and figuring that out with their budgets. Obviously, we talked about it in the past, focusing more on OpEx than CapEx, managing their cash. So, they're interested in moving into services like ours. It took them a while to work through that process and we're seeing now increasing engagement from that customer group, which is very encouraging and we're very excited about it.

On the VA, yeah, I said it on the call, we had a good year. We exceeded the \$5 million that we had projected for the year in 2025 and we're expecting probably north of \$9 million or around \$9 million of revenue in 2026. So, that is a significant growth for just a single account. We're continuing the rollout successfully. We're seeing increased adoption within the sites that we have rolled out and we still have runway within that customer. So, obviously, that runway is built into our 2026 projections, but it's a really encouraging progress with that customer.

Beyond the VA, we're engaged with other government agencies and interestingly also non-government organizations that are mandated to use a FedRAMP or sometimes even a FedRAMP high solution now, since one is available, on the market. So, it's very encouraging what we're seeing in the public sector and with that eFax or ECFax for government product.

**Q:** Thank you. That's very helpful. And then, it's my understanding that Clarity and Harmony to use AI, that can actually be very effective in the billing and AR process within the revenue cycle for facilities. Just

any color there in terms of your use of AI and, I mean, the hospitals view, the purchase of your product as a way to accelerate cash collections or is it more of a CapEx purchase?

**Scott Turicchi**

That's a good question. On the hospital side, we see it being used primarily or more on the referral side. So, we're very focused on specific use cases. In that case, it's referrals and orders that for inbound tax traffic, but also scan referrals and those kind of things, just getting sorting through those documents. So, the first step is indexing and then secondly is processing those at a higher pace. So, that is helping them cutting down on that administrative burden and on that administrative labor. So, that's what I meant by tackling a labor problem is that they're actually freeing up headcount that they so desperately need on the clinical side by using these tools to help on the administrative side. That's what they're really focused on.

On the rev cycle side, we see it, for example, for Medicaid claims management, those kind of things, where we have more in the prior authorization space to meet those CMS requirements of turning around prior authorizations within the 72 hours. The ones that do come in by fax are completely unstructured, right? And so, you need to pull out data points and accelerate that processing and AI helps to extract those important data points. And then...

**Q:** Just one last quick one before we hop back – go ahead.

**Scott Turicchi**

No, I was just going to say you addressed the Harmony product suite, right? So, with priority extracting that data, we still need to translate it into a data format and deliver it on a protocol that the customer requires. So, it needs to integrate with their EHR system or with the rev cycle management system, whatever they need. So, they need a FHIR message or a HL7 format. So, that's where the Harmony, where the platform comes in where we transfer that unstructured data into a structured data piece, but then deliver it in the exact format that the customer requires.

**Q:** Great. Thank you very much. And then 3 years from now, what percentage of revenue would you expect to be Corporate?

**Scott Turicchi**

It's a good question.

**Johnny Hecker**

Yeah.

**Scott Turicchi**

And part of that goes to not only the growth of Corporate over the next 3 years, which as you can tell from all of our remarks, we're very bullish about those trends and they're breaking through double-digit growth. But, obviously, it introduces the question of where SoHo will be. But I would say if we're at almost two-thirds, one-third today in favor of Corporate, you're probably going to be around 75-25 within the 3-year timeframe. And that would be premised in part on breaking through the 10% for Corporate growth, and then pulling in that minus 10% on SoHo. But that should be roughly the mix about 3 years out.

**Q:** Okay. Thanks very much. Congrats on a good quarter. I'll hop back in the queue.

**Scott Turicchi**

Appreciate it. Thanks, David.

**Operator**

Thank you. The next question will be from Gene Mannheimer from Freedom Capital. Gene, your line is live.

**Q:** Thanks. Good morning. And Jim, we'll miss you. And Adam, congrats on the promotion.

**Jim Malone**

Thank you, Gene.

**Q:** You're welcome. Good results. I wanted to just dig in a little bit more to Clarity. You indicated you have line of sight in the multi-millions in revenue this year. What are the kind of the underlying demand dynamics that is driving that interest from the market, and who's the competition that you face there? And then my follow-up question would be just on the guidance range for 2026. It looks a little wide, and I'm just wondering if that's correct, or did you provide a similar range for your initial 2025 view a year-ago? Thanks. What are the variables between the low and the high end of that range?

**Scott Turicchi**

Well, I'll let Johnny start with the operational question on Clarity, and then I'll jump in and talk about the guidance and the construction of it. So, go ahead.

**Johnny Hecker**

Yeah. So, maybe give you a little bit of background on Clarity. As you can imagine – what you hear about all of the AI project and other verticals as well is I think the first couple of years was everybody was trying things out and was going very broad. And what we have filtered out for ourselves and where we see most demand is really in that first what I mentioned on the last question, first, really on the indexing, on document classification, and then trying to get as much value out of the solution as you possibly can. And

with the referral management and the order management that I indicated or talked about, you really have two value drivers.

On the one hand, you can manage that administrative burden, and some of these imaging centers or radiology centers, or if you think about other verticals that are or sub-verticals that are high or very reliant on referrals like infusion management or those kinds of things, they have like dozens of people sitting there sometimes just keying in data. So, that's a cost driver on the one hand that drives demand where they can reduce the cost.

On the other hand, the acceleration of processing those referrals faster really drives top-line for them. So, you have basically a double benefit driving top-line, getting the referral faster. One of our customers calls it the race to yes, right? So, whoever responds to a referral first will get that patient. And that's what's driving the demand there and that's what we're focusing on. So, we're trying to move away a little bit from everybody wanting like everything to really focusing. And that's what I meant with my remarks earlier when I said we have a clear go-to-market focus for 2026 for Clarity, really honing in on the referral and on the prior authorization piece as a first step, and then we will add additional workflows to that.

**Q:** Got it. Thanks. That's great color. Thanks, Johnny.

### **Scott Turicchi**

So, as to the guidance, let me give everybody a little bit of the history on this and our philosophy. And it has been done consistently, Gene, for a number of years and certainly with 2025. So, as you can imagine, the focus for us from a financial standpoint and operational is on our budget for any upcoming fiscal year, in this case 2026. That budget then translates into the midpoint of our guidance of both revenue, adjusted EBITDA and non-GAAP EPS. And this is important because those are also the numbers that are used as it relates to the various compensation programs for our employees. So, some have certain bonus participations based on a combination of revenue and EBITDA. In other cases, it's revenue and adjusted non-GAAP net income. So, those are all consistent at the midpoint.

Then what we do is, a while ago, we came up with what I'll call an extrapolation on the top-line of about 2%. So, it gives you, based on the current level of revenue, about a \$7 million range on either side. And those are just to account for all the known-unknowns or unknown-unknowns, if you will. Things that could change in the economy. Not catastrophic changes where you would go from, say, a stable economy to a great financial crisis, but what I call moderating either headwinds or tailwinds in the economy. There's obviously a number of variables that go into generating the top-line. There's going to be some volatility and variability around it.

The thesis is that our midpoint, which is the budget, when you combine that with the extrapolation, should accommodate most of those current unknowns. Now, obviously, if they all accumulate in one direction or another, the range may not be sufficient. So, that's where we start. That's the philosophy on the range of revenues. And then from there, we bleed down and we look, obviously, most importantly, at the margin at the midpoint. And then we say, well, if you're going to have a little less revenue, you're probably going

to have a little less margin. Even operationally, you may make some adjustments during the year to mitigate some of your costs, given less revenue.

Conversely, on the upside, you'll probably flow through a little bit more than at the midpoint, but you'll also introduce the question of additional reinvestment. And then from there, the things below the line are, I'd say, relatively fixed, independent of revenues. So, our depreciation and amortization is really not going to be a function of where we are in the revenue range. The way we budget our interest expense and interest income is we look at the debt outstanding at the end of the year. So, in this case, \$562 million.

We have the credit facility portion versus the high yield notes. The high yield notes are fixed at 6.5%. The credit facilities flow, but we generally getting into a mode where we're locking in the SOFR for 6 months. So, that's known. And we assume no debt retirement during the year or equity repurchases. And then we just take our estimated free cash flow and we let it accumulate. And we assume that gets reinvested at money market fund rates. And then, of course, you have a share count that gets you to the bottom-line.

Now, what will happen, obviously, during the course of the year, something I mentioned in my opening remarks, and it's also responsive to a question that we received by email, is we will take that cash and there may be better uses for it. Obviously, marginally better returns would come from retiring debt. In our judgment, more material returns come from retiring equity, given the free cash flow yield, which today, the spot free cash flow of \$106 million against our equity is about 25% free cash flow yield, whereas when we retire debt, we're retiring at either under 6% or at most at 6.5%, if we can get those high yield notes at par. So, that's what will practically happen as we flow through the year.

As I mentioned in the opening remarks, given where the stock price is, we have a strong bias towards shifting our cash flow allocations more in the favor of equity repurchases versus debt retirement. Having said that, if we look out over the next 2.5 years to the ultimate maturity, the 6.5% notes, it is our goal to bring the total debt of \$562 million down. And that's kind of a question mark.

My sense is right now, of course, these are fluid conversations based on market conditions, not only today, but in the future, we probably want to bring that debt down over time to around \$500 million. There may be an argument for going lower, and that's something that we'll be exploring over the course of this year, because as I mentioned, given the uncallable nature of the 6.5% notes until October and then at a premium, it's unlikely we do any refinancing this year. It's possible, but unlikely. So these are probably 2027 events, but obviously we're going to keep our pulse on the market and start looking at that actually right now.

So, I know that was more than you asked in the question, but I would give everyone a flavor of how we go from the top-line to the bottom-line.

**Q:** That's great color. Thanks, Scott.

**Operator**

Thank you. And the next question will be from Ian Zaffino from Oppenheimer. Ian, your line is live.

**Q:** Hey, good morning. This is Isaac Saulson on for Ian. Thanks for taking the questions. Just one on the corporate channel. Could you discuss your expectations for ARPA this year? Do you believe eFax Protect will continue to have a dilutive impact on ARPA or any offsets on that for the year? Thanks.

**Scott Turicchi**

Yeah. Good morning. Thanks, Ian. I mentioned it on the call, I think we're looking at ARPA a little bit bifurcated by now, right? Because we have so much traffic and so much volume coming in on the eFax Protect that it really biases that ARPA downwards...

**Q:** Modestly, yeah.

**Scott Turicchi**

Modestly. And then, if we look at the non-eFax Protect cohort, we see that ARPA grow. So, I think as we drive more and more eFax Protect customers into our customer base, if we're successful with that program and we expect it to continue to grow, we will see a little bit downward pressure on that Corporate ARPA – the aggregate Corporate ARPA.

**Q:** The aggregate, exactly.

**Scott Turicchi**

Yeah. The question is if that's really still the right metric to measure that business. We're focusing more and more on the revenue retention rate, which I think is the stronger indicator for how that business develops.

**Q:** Okay. Understood. And then just a quick follow-up just on margins. I know you guided to the EBITDA margin. If you could provide any color on gross margin expectations. I know you talked a little bit about modest cost increases in the prepared marks, but any additional details on that would be great. Thanks.

**Scott Turicchi**

Yeah, I would say most of our cost increases are in OpEx, not up there in COGS. So, we have on a non-GAAP basis, pretty stable margins right around 80%. And there's, I think, no reason to believe those will not continue. So, we expect it to be in the 80% range this year and going forward. Remember, most of our cost structure, the largest single piece is people. And most of the people are expensed down below. They're not in COGS. They're in OpEx. And so that's where we have the increased salaries that I mentioned, not only for the core employee base in terms of raises year-over-year, but also as we add incremental people, they're coming in at the OpEx, because they're in Johnny's group, which is all flavors of go-to-market and our Jeff Sullivan, our CTO in his product and engineering group.

**Q:** Okay. Great. Thanks very much, guys.

**Scott Turicchi**

No problem.

**Operator**

Thank you. There were no other questions at this time. I would now like to hand the call back to Scott Turicchi for closing remarks.

**Scott Turicchi**

Great. Thank you, Paul. Thanks, everyone, for getting up early, depending on where you are in the country to listen to our Q4 earnings call. We will return to the normal time slot when we report Q1 in May. This was unusual. As we announced, we are at the BTIG conference. So to accommodate their schedule, we did the release last night and did the call early this morning. This is unusual for us, but we appreciate you attending and asking questions this morning. Of course, we're available not only at the conference over the next couple of days, but we'll be available for Q&A. You can reach out to us. And then, there'll probably be one or two conferences over the next several months that we'll attend. And we'll put out press releases over to you to those. Our next regularly scheduled call will be sometime in May to discuss Q1 results. Thank you.

**Operator**

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