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5:00pm ET

Operator

Good day, ladies and gentlemen, and welcome to Consensus Q1 2026 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; Kip Killpack, Vice President of Finance; Johnny Hecker, CRO and Executive Vice President of Operations; and Adam Varon, CFO.

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

Kip Killpack

Good afternoon, and welcome to the Consensus investor call to discuss our Q1 2026 financial results, other key information, and our Q2 2026 quarterly guidance. Joining me today are Scott Turicchi, CEO; Johnny Hecker, CRO and EVP Operations; and Adam Varon, CFO. The earnings call will begin with Scott providing opening remarks. Johnny will give an update on operational progress since our Q4 2024 investor call. Then, Adam will provide Q1 2026 financial results and our Q2 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, Kip. I'd also like to welcome Adam on his first earnings call as our Chief Financial Officer. I'm very proud of the momentum that our team carried into 2026 and the results that we posted to begin the

fiscal year. As I stated last quarter, the next phase of Consensus has begun. While we did post three consecutive quarters last year revenue growth, it was minimal. However, in Q1 2026, we exceeded our expectations in both our Corporate and SoHo channels of revenue and had a 1.5% consolidated revenue growth compared to Q1 of 2025. In fact, this is now the second consecutive quarter that we have demonstrated year-over-year growth in all four of our key financial metrics: revenue; adjusted EBITDA; non-GAAP EPS; and free cash flow.

Before turning the call over to Johnny, who will provide you with more detail regarding the quarter, I would like to note a few items. Our Q1 financial results were driven by an 8.2% revenue growth in our Corporate channel, driven by record usage as well as a continuation of customer acquisition across our continuum. This is the highest growth rate for our Corporate channel since Q4 of 2022. The SoHo channel also beat our forecast as we saw improvement in customer acquisition during the quarter and had a significant improvement in the year-over-year rate of decline experienced in Q4 2025.

Our adjusted EBITDA margins remain consistent with Q1 of 2025 and above the midpoint of our range of 50% to 55%. This is due in part to the timing of hiring relative to our budget expectations. We plan to close the hiring gap throughout the year and would expect our adjusted EBITDA margins to track more to the midpoint of our range for the remainder of the year.

We started the year with a strong Q1 free cash flow of \$38.5 million, which allowed us to repurchase approximately 600,000 shares of our stock during the quarter while maintaining cash balances such that we can fully borrow under our credit facility and term loan. We do not have any substantial maturities on our debt until late 2028. However, we are monitoring both the bank and debt markets to see if an opportunistic refinancing can be achieved before late 2027. We expect free cash flow to approximate the record level of 2025 and look to continue to be buyers of our stock, given the free cash flow yield on our stock is approximately 3 times that of our debt costs.

I'll now turn the call over to Johnny.

Johnny Hecker

Thank you, Scott, and hello, everyone. Last year, I described 2025 as our foundational year, a period of deliberate realignment to favor high-value, high-durability Corporate revenue. Today, I want to share how that transformation is accelerating in a way that confirms the core of our platform thesis. In times of uncertainty and a tight macroeconomic environment, particularly within healthcare, we're actively intensifying our go-to-market execution, focusing relentlessly on intent-driven customer acquisition to increase deal volume.

I am pleased that we're seeing this strategy come to fruition. In Q1, our teams participated in several of the most important industry conferences in our sector, and the results validated this targeted approach. The record lead volume and intensity of interest we captured at these events confirmed that the ongoing migration to the cloud represents a structural opportunity for Consensus.

Our eFax brand has proven to be a highly effective magnet in this space. It is the strategic entry point that allows us to lead the conversation around digital transformation. For these organizations, migrating to our platform is no longer a discretionary tech stack update. It has become a mandatory operational upgrade.

Our Q1 results substantiate once more that our center of gravity has shifted. The Corporate channel delivered record revenue this quarter, generating \$58.7 million. I am excited to report an 8.2% year-over-year growth rate over the \$54.3 million of Corporate revenue in Q1 of 2025, a significant acceleration from the 7.3% we reported last quarter. This sustained increase in our momentum is the primary takeaway here, as it demonstrates the compounding strength of our strategy and keeps us firmly on path towards double-digit corporate growth.

While we also saw a solid 3.4% sequential increase coming out of a record fourth quarter, it is the consistent year-over-year expansion that validates our thesis. This trajectory is driven by the continued execution of our barbell strategy, reflected in our corporate base of approximately 65,000 customers, which has grown roughly 7% year-over-year. While we have maintained this level since Q3 of 2025 as we prioritize high-grading our portfolio towards larger enterprise accounts, the annual growth proves the scalability of our acquisition power. More importantly, that upmarket momentum is directly feeding our expansion economics.

Our net revenue retention rate exceeded 102% this quarter, a 76 basis point improvement over Q4 of 2025, and the highest NRR rate since we breached the target of 100% in Q4 of 2024. It proves our customers are finding more value in our solutions. They're adding more volume and adopting our solutions more broadly as they integrate deeply into our ecosystem. This lift results from a powerful utilization tailwind as our largest enterprise clients route more uninterrupted data flows through our network with ever-increasing volumes that consistently exceed our internal targets.

As evidenced by our native integration into major EHR vendor platforms, eFax has developed into an operational dependency within the clinical workflow. This shift underscores our move to an embedded infrastructure layer. We're seeing a similar trend in the public sector where our FedRAMP High certified eFax solution continues to gain traction. Our Q1 results give us confidence that we can meet or exceed the \$9 million VA contribution to 2026 revenue we projected last quarter as that engagement continues to scale and integrate into their daily operations.

Capturing volume is the foundation. The next phase of our growth is about value extraction, moving from being a transport layer to being an intelligence layer. With that in mind, last month, we soft launched a re-architected eFax platform for our Corporate and SoHo e-commerce offerings. This launch, which brings the identity of our recent brand refresh directly into the product experience, serves as our new workflow and AI monetization framework. It is an infrastructure upgrade specifically engineered to remove friction from the customer journey and provide a seamless on-ramp for our advanced technologies.

As part of a continuous deployment, this architecture will eventually enable our clients to layer on eFax Clarity AI capabilities at scale, moving at the pace of their own digital transformation. In our last call, I emphasized that we are no longer just selling a connection. We're tackling a labor problem. This product

evolution is how we deliver on that promise. Our customers, particularly in healthcare, are facing severe staffing constraints and margin pressure. They can no longer afford to have high-value staff performing manual data entry. By combining our platform with Clarity, we're extracting actionable data from unstructured documents and routing it directly into the EHRs and back-office systems.

These automated workflows give our customers their time back, reduce manual errors, and accelerate the revenue cycles. While last month's launch is just the beginning, we expect this infrastructure to improve deal conversion rates and serve as a lever to our path to delivering sustained double-digit growth in our Corporate channel. We are prioritizing these workflow and solution propositions because they resonate deeply with our prospects, helping us capture new market share while simultaneously locking in our existing base for the long-term.

Moving to SoHo. As we have consistently stated, we manage that channel as a strategic cash engine. We're not managing SoHo for subscriber longevity. Our priority remains yield, efficiency, and maximizing the contribution margin that funds our high growth corporate expansion. SoHo revenue for the quarter was \$29.7 million, representing a managed 9.5% year-over-year decline. I am happy to report that this is a significant improvement over the minus 11.1% we experienced last quarter, in line with the rate of decline we experienced in Q3 of 2025.

In summary, Q1 has proven that our go-to-market strategy is functioning exactly as intended. Our SoHo business is providing disciplined cash flow, while our Corporate channel is delivering record results with growth accelerating past 8%. None of this is possible without the dedication of our global team, who executed exceptionally well and with high energy this quarter. I also want to thank our partners and customers for their continued trust and collaboration as we capture these high-stakes operational opportunities together.

With that, I'll hand the call over to Adam to provide the financial details. Adam?

Adam Varon

Thank you, Johnny. Good afternoon, everyone. We will discuss our Q1 2026 results, guidance for 2026, as well as guidance for Q2 2026. We expect to file our 10-Q later today. Moving to Corporate results. During the first quarter of 2026, our Corporate business achieved record-breaking revenue of \$58.7 million, representing an 8.2% increase or \$4.4 million compared to the previous year. This performance indicates our accelerating momentum when compared to the 7.3% revenue growth last quarter. Notably, this 8.2% year-over-year expansion also represents the strongest year-over-year growth rate our Corporate business has realized since Q4 2022.

With our record Corporate revenue in Q1 2026, we achieved a trailing 12-month net revenue retention rate of 102%. This reflects a sequential rise of 76 basis points and an approximate 100 basis point gain compared to the same period last year. Our Corporate customer base of approximately 65,000 customers was up 7% over the prior comparable period. Propelled by higher volumes, specifically within the upper tier of our customer continuum, Corporate ARPA for Q1 2026 rose sequentially by approximately 3% to \$306 and was roughly flat year-over-year.

Moving to SoHo results. As Johnny mentioned, we continue to manage the SoHo channel as a strategic cash engine, focusing on customer acquisition yield and contribution margin to generate cash flow that funds our accelerating Corporate business growth. SoHo Q1 2026 revenue of \$29.7 million decreased \$3.1 million or 9.5% over the prior year, slowing from the Q4 2025 decline of 11.1%.

Moving to consolidated results. As Scott stated, this is the second consecutive quarter that we have demonstrated year-over-year growth in all four of our key financial metrics. Number one, revenue; two, adjusted EBITDA; three, non-GAAP EPS; and four, free cash flow. Consolidated revenue of \$88.5 million represents an increase of \$1.3 million or 1.5% over Q1 2025, and \$1.4 million or 1.6% increase sequentially. Additionally, this represents the fourth consecutive quarter of year-over-year consolidated revenue growth.

Adjusted EBITDA of \$47.9 million versus \$47.3 million in Q1 2025 delivered a consistent year-over-year EBITDA margin of 54.1%, driven by revenue flow-through, partially offset by marketing spend and personnel-related expenses. Adjusted net income of \$28.9 million is an increase of \$2 million or 7.3% over the prior year, primarily driven by the items mentioned, plus favorable net interest expense on lower debt balances. Adjusted EPS of \$1.52 is favorable to the prior year by 10.9% or \$0.15, driven by the items mentioned above and a lower share count from equity repurchases. The Q1 2026 non-GAAP tax rate and share count were 20.5% and approximately 19 million shares, respectively.

Moving on to capital allocation. Free cash flow was a robust \$38.5 million, driven by Q1 2026 performance, which fueled a 14% or \$4.7 million year-over-year increase. We ended Q1 2026 with \$92.3 million in cash, an increase of \$17.6 million when compared to Q4 2025. Q1 2026 CapEx of \$7.4 million was in line with the prior year and expectations.

On equity repurchases programmed to date, we have utilized \$72 million to repurchase 2.7 million shares, leaving \$28 million available under our \$100 million board authorized equity repurchase plan. This includes our successful Q1 2026 activity, where we bought back 600,000 shares for approximately \$17 million.

Our Q1 2026 total debt balance stands at approximately \$560 million, comprised of the following components: \$348 million of 6.5% high-yield notes; \$148 million of delayed draw term loan; and \$64 million on our revolver. Our net debt-to-EBITDA ratio for Q1 2026 was 2.5 times, and we held our total debt-to-EBITDA ratio steady at the Q4 2025 level of 3 times.

Moving to 2026 guidance. We are reaffirming our full year 2026 outlook as follows. For revenue, we anticipate between \$350 million and \$364 million, representing a \$357 million midpoint. Adjusted EBITDA is expected to range from \$182 million to \$193 million with a midpoint of \$187.5 million. Our adjusted EPS guidance remains between \$5.55 and \$5.95, or \$5.75 at the midpoint. Finally, we estimate our full year income tax rate will be between 19.7% and 21.7% with 20.7% at the midpoint with approximately 19 million shares.

Moving to Q2 2026 quarterly guidance. We are issuing the following guidance for the quarter. Total revenue is projected to be in the range of \$87.9 million to \$91.9 million, representing a midpoint of \$89.9 million. Adjusted EBITDA is expected to fall between \$46.4 million and \$49.6 million with \$48 million at the midpoint. Adjusted EPS is anticipated to range from \$1.43 to \$1.53, or \$1.48 at the midpoint. For Q2, 2026, our estimated income tax rate is 19.7% to 21.7% with 20.7% at the midpoint, with an expected share count of approximately 19 million.

That concludes our formal comments. Now, I'd like to turn the call over to the operator for Q&A. Thank you.

Operator

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

Q: Hi, this is Jenny Shen on for Dave. Thanks for taking my question, and congrats on the quarter. Just looking at the reaffirmed full year 2026 guide, was that not raised mainly due to conservatism? And what do you expect our revenue and earnings growth, the cadence to be for the rest of the year? Thanks.

Scott Turicchi

We set up the range of guidance just a quarter ago and, obviously, there's a width on it on both revenues, EBITDA and adjusted EPS. Certainly, if you look at the first quarter results, where we've had the most positive movement from the mean would be in the adjusted non-GAAP EPS. So, right now, we see even if you migrate towards the upper-end of the range, that still being sufficient. We only change our range of guidance, whether it's for all the metrics or a single metric, when we are highly confident we will be exceeding one or more of them. So, it's too early in the year to do that. So, it's neither a conservatism, it's really more a philosophical principle on which we construct our guidance on an annual basis.

I think you get a sense in terms of the second question, though, given that we do give quarterly guidance, which you see in Q2. The one thing I would note and caution people on, as I said in my opening remarks, is one of the benefits that flowed through in the first quarter was not only more revenue, which is clearly a good thing, and I'd say most of that incremental revenue relative to our expectations went to the bottom-line. But, we did not hire as much in Q1 as we had budgeted. And I do anticipate that that will pick up as it already has in the early stages of Q2 throughout the end of the year. In fact, I want it to pick up.

While we had 54% EBITDA margins in Q1, I do not expect that to repeat, and I do not want it to repeat, because I want to see us fill out the hiring that we have, which is primarily in the go-to-market operations, which is Johnny's area and in the product area and the engineering, which is Jeff Sullivan, our CTO. So, if we are successful in our hiring, a lot of those people will not be immediately contributing revenue within the calendar year. They're really more setting up for 2027. So that's the basis on which we constructed our reforecast for the balance of the year, also played into account Q2 guidance. And then, we'll take a much deeper dive as we hit the midway point, once we report Q2 results for the back half of the year.

Q: Perfect. Thank you.

Operator

Thank you. And there were no other questions from the lines at this time. I'll now hand the call back to Scott Turicchi for closing remarks.

Scott Turicchi

Okay. All right. I was just checking to see if there's any questions that came by email, but give us a second, Paul. Okay. All right. Well, we know it's a crowded day for reporting, so we appreciate those that have been able to listen live. If not, hopefully you'll listen to the rebroadcast of it that'll be available on our website. Look for some releases at some various conferences that we're likely to be at over the coming weeks. Obviously, if you do have questions, how to reach either myself or Adam or Laura, we'd be happy to address those. Also set up one-on-ones even outside of any formal conference.

Without any further news, we would be planning to release Q2 results sometime in the first, probably 10 days of August. So, look for that press release as we get closer to that actual release date. And then, as Adam mentioned, we're looking to file the 10-Q for Q1 this evening, so it should be available if not tonight, by tomorrow morning. 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.