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Thryv Holdings, Inc.

Direct Listing Virtual Investor Day

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CORPORATE PARTICIPANTS

KJ Christopher, *AVP, Investor Relations, Treasury & Tax*

Joe Walsh, *Chief Executive Officer and President*

Paul Rouse, *Chief Financial Officer and Treasurer*

Gordon Henry, *Chief Strategy Officer*

Brinley Johnson, *Blueshirt Group*

PRESENTATION

Operator

Good morning, everyone. This is KJ Christopher, AVP of Investor Relations with Thryv. We are excited to talk to you today about the company and our direct listing. With you today are Joe Walsh, CEO and President; Paul Rouse, CFO and Treasurer; and Gordon Henry, our Chief Strategy Officer.

During their presentation today, Management will make forward-looking statements and refer to non-GAAP financial measures. It is possible that actual results could differ from Management expectations. We refer you to Slide 2 for more detail.

Additionally, Thryv's Form S-1 has information on the risks and uncertainties that may bear on our operating results, performance and financial condition, including those related to the COVID-19 pandemic. Please see our agenda on Slide 3 of our presentation which is available on our Investor Relations website at investor.thryv.com.

Now, I would like to turn it over to Joe Walsh whose remarks will begin with Slide 4 in the presentation.

Joe Walsh

Thank you, KJ. We're really excited to tell you about our direct listing and all about our business, but before we do, I want to take a minute and just give you a little sense of who we are. I am entrepreneur who bootstrap started a independent yellow pages company competing against the telephone company yellow pages, built it up, sold it, had a successful exit, and then spent a couple of years with the company I sold it to before joining a very small Long Island company called Yellowbook. Yellowbook was a yellow pages company that was competing with the telephone company yellow pages. I met Paul Rouse, our CFO that's with us today my first day on the job. We started two weeks apart, and together, along with a number of other guys, we built the Yellow Book business a little at a time, one acquisition at a time, one new market at a time. As the years went by through those acquisitions, we added a number of the current management members who are here today, including Gordon Henry, our Chief Strategy Officer. We made 77 acquisitions and launched into more than 250 markets nationwide to build more than a $2 billion nationwide footprint of that Yellow Book business.

We eventually transitioned that to a public company where we had a transaction with BT and then we took the entire thing public on the London Stock Exchange and created a $4 billion public company before eventually exiting that business.

I went on to launch a board advisory practice, Walsh Partners, working with hedge funds and private equity groups and their various management teams, trying to solve some of the problems they had in those businesses. That led me to Cambium Learning Group which was an education publishing company where we did essentially ed tech software for small businesses. We had a very successful run there over a six-year period of time. I was the executive chairman.

During the Walsh Partners phase of things, Gordon Henry and I worked very closely on a number of projects, one of which was consulting to Dex Media, the company that was the predecessor to this company. We went in and developed a strategy for Dex that resulted in us joining the company, so that's how we've come to be here today.

As an overview to our company, nationwide Yellow Pages Company nationwide footprint with a scaled SaaS business under the hood, $1.3 billion of trailing revenue, 35% EBITDA margins, headquartered in Dallas, Texas. Thinking about our business in two big chunks, marketing services, print yellow pages, online yellow pages and the various other digital advertising that we sell, and then our SaaS advertising business, a scaled, more than $100 million SaaS business.

Thinking quickly about the history here, when the divestiture of the telephone company occurred in 1984, there were regional Bell operating companies created. They all had their own yellow pages companies. Eventually those all came back together. In 2013, Verizon's yellow pages and U.S. West Dex Yellow Pages, Super Media and Dex One merged to create Dex Media. In 2014, this management team came in and took over. Shortly thereafter, we launched our SaaS software offering. Then in 2017, we went and acquired AT&T's yellow pages business, YP, and put that together to create this national footprint.

Over the last couple of years we've generated $1.1 billion of free cash flow. We fully integrated all those acquisitions. We've got one very efficient national platform and footprint. We've got this scaled SaaS business now under the hood with strong fast growth, and some terrific opportunities ahead.

Thinking about our sales force, we have a more than 1,000 person national sales force, one of the largest sales forces out there nationally. Many feet on the street plus four big inside call centers covering the whole country.

Thinking about the COVID-19 impact on our business, we've been pretty fortunate. Because we're in the service based businesses, home services, personal services, they've been pretty resilient here during this period of time, so while we felt it, we've been a little bit insulated because the travel, entertainment, dining segments that have been hit so hard are less important parts of our customer base. We also enjoy a lot of geographic diversity because we cover the entire country. So, certain areas that have been harder hit, there have been other areas where we have done better, so it's been kind of a shielding process for us.

We have transitioned to work from home, like a lot of other businesses. We actually had gone to a remote first culture. We are greatly reducing our office footprint, and that's given us a lot of flexibility where we can hire people really from anywhere and we experience significant call savings by not having the overhead of those offices, and believe it or not, we've had a strong productivity lift during this period where our people have really benefited from the focus that working from home has given them.

Thinking about our business, working with small businesses, you're concerned, 'Well, what about small businesses?' We have a Thryv Foundation. Our foundation works closely with a lot of small businesses, even making grants during the darkest days, the early days of the pandemic before the government stepped in with some of the assistance programs.

We've seen our marketing services really hang steady because most of those customers are on long-term contracts, 12-, 15-month contracts, and the yellow pages ads is kind of the last thing you take out before you go out of business.

The place that we felt a little bit more, I guess headwinds, if you will, is in our search engine marketing business where we sell the keywords for Google. We've had some of those campaigns pause, but it's a fairly low margin part of our business so the economic impact hasn't been as strong for us.

Overall 2020, we'll deliver pretty close to our original plan for 2020 despite the economic headwinds that are out there with COVID.

One of the things that's happened during the pandemic, and you've heard this a lot from different—in the business news and the headlines talking about the acceleration of trends. There's been a process of small businesses modernizing and really moving their business into the cloud, but it's been kind of a slow process and all of a sudden the pandemic comes along and you need to accept electronic payments and you need to do that right now. You need to be able to do contactless delivery. You need to be able to adjust your store hours. You need to be able to accept appointments at various times. All of these needs have driven a tremendous additional demand for our Thryv software and we've been able to help a lot of businesses—this one in particular, Essentially Well Oiled in Colden, New York—they called us to cancel, saying they were going to go out of business. We said, 'Well, why?' They said, 'Well, because people can't come into our store. We're forced to be closed.' We said, 'Well, you could adapt,' and we helped them set up a small ecommerce type situation where they began delivering their products rather than having people come into the store, and they made it through and have been doing very well. We helped a lot of small businesses adapt and we're continuing to help them adapt as we work through this kind of strange, new environment.

Thinking about Thryv sales and just to illustrate the tailwinds that we have, look at the unit growth that we've seen in January, February, March, April. It's just been up, up, up and that only goes through June. Obviously I know what July and August were; it's continued in that direction. Strong acceleration in unit sales for Thryv.

Thinking about our business in a little bit longer term, so you can understand our big picture plan, we expect that marketing services will become a smaller part of our business over kind of the medium term, eventually being less than half of our revenue. We see our very fast growing and exciting SaaS platform becoming a larger and larger percentage of our business, being more than half of it in the medium term.

Within that, in the past virtually all of our sales were made by our traditional sales force. We've been building new channels. We've been building a reseller channel. We've been building a multilocation and franchise channel, and importantly, we've been building an inbound channel where customers raise their hand, come in to us and buy from us without us sort of going out to seek them. Those new channels have been growing very quickly from the mid teens percent of revenue today to a very large percentage of our revenue we expect in the medium term future. That's a very fast growing area for us.

Thinking financially about the business model, the SaaS business today, it is profitable. It's a low to mid teens margin business with about 44,000 customers. We expect thinking out to the medium and longer term for that to be a $0.5 billion business with closer to 30 percent margins and over 200,000 subscribers or customers in the medium term. During that period, we expect our marketing services business to continue its sort of 20-ish percent decline, perhaps slowing a little bit as it gets closer to bedrock looking out. But we expect, importantly, the high margins, the 35% to 40% margins, to continue right through. We have figured out how to kind of variabilize the cost base around that business, so we expect it to be a really strong cash generator.

Thinking about capital allocation at the bottom of this slide, we expect to with ease pay down the debt that we have on our business over this period of time and really create equity value for our shareholders.

Thinking now about the yellow pages business, just kind of drilling into the various different pieces of our marketing services, yellow pages are still used by—the references this last year were over 3.8 billion references to yellow pages. If you think about our business, it operates under the national brand The Real Yellow Pages. That's one of the brands that we acquired as we were putting all these things together. It's the only true fully national footprint, only true fully national brand product. The other brand that we carry on each of those directories is the telephone company brands, so it would be the Verizon directory or the AT&T directory. There's a lot of credibility that comes with including that extra brand there. The directories are profitable and the directories are continuing to be managed in a very cohesive way.

One interesting little fact for you, we no longer publish the directories on just 12-month cycles. We actually long-life them and leave the directories on the street for 15 months in many—most cases, which actually improves our economics and delivers a little bit more value, and it's also very economically friendly.

Who uses the yellow pages? It's the 55 and older demographic, typically in suburban or rural areas that are still really strong users. They tend to be homeowners. They tend to have families. They tend to have a lot of buying needs and they tend to have a lot of money. The most affluent part of the market are these kind of 55-, 60-, 65-year-old people that have life changes, they have kids getting married. They're upsizing, they're downsizing, they're moving, they're getting a boat, they're doing whatever. They have a lot of purchasing needs and they have a lot of buying power, and we're delivering a very valuable buyer to the marketplace.

Why do companies advertise in the yellow pages? It's pretty simple. Bang for the buck. They get low-cost leads out of the yellow pages. We've managed to bring down the cost of yellow pages advertising. We've actually lowered the prices, what it cost to buy a yellow pages ad a lot, and it's delivering today the better return on investment than it was 10 years ago or 15 years ago when usage was even stronger, because of the way we've managed the cost of the product. Yet, as I mentioned earlier, we are continuing to deliver very high margins.

Thinking about quantifiable results, we put a custom tracking phone number in the ad so we can tell exactly how many calls are coming in, and looking at the whole big picture, we're delivering $28 leads if you kind of average everything out.

Some of our big advertisers are Roto Rooter, Aspen Dental. Geico is a big advertiser. These folks track everything and they realize they're getting a really good value by advertising in these products. And they continue to and they're very devoted to them.

Turning to Internet yellow pages, this is the online version of our yellow pages. It's YP.com. It's superpages, it's dexknows. These are our brands with 35 million monthly visits. They also do very well in the services businesses, the contractors, the legal services, auto repair, dentist. And the demographics of who uses it are actually pretty similar too.

One interesting thing to note is that we extend our own reach by partnering with Yelp and Yahoo! and city grid and a bunch of other sites to create what we call the extended search solution. It gives us a lot more traffic and a lot more reach, and for them, they monetize their product through our big sales force.

This would be an illustration of how Internet yellow pages work in a modern economy. At the top you have a buyer, a consumer, and at the bottom you have a small business. The way the buyer travels down to that business is either over on the left going to a search engine like Google, let's say, and doing a search, and the top search results that come up in the organic results are the content out of our Internet yellow pages. They click on it, they go through to the Internet yellow pages, they pick their vendor and they go through to the small business.

Or in the middle they might direct navigate, go right to yp.com or dexknows. Some people have the app on their phone. Some people just go there directly, come right through.

On the far right there, you've got our partner network where maybe they're searching in Yelp or City Search or Yahoo! and the ads that they see, the content that they're looking at was something that our sales force sold and we make the connection that way. In all cases we're linking the buyer and seller together in a really simple way in a modern ecosystem. This is still a very powerful advertising vehicle. It's very profitable for us. Usage is still very strong, so this is a very, very key asset, very strong cash generator for us.

Just continuing with Internet yellow pages, you might say why do small businesses advertise there? Because they can acquire online leads much cheaper than they can by buying them from Google, by buying—participating in the auction for the Google keywords.

Here are some specific classifications, looking at attorneys, dentists, auto repair. You can see just how much lower the cost per lead is for each one. Google, good for Google. They've got an auction process that teases out the absolute apex, the top dollars they could get out of each keyword. Where we're selling on more of a subscription model and to make sure we're delivering really strong value, we're not pricing to the highest level, and so there's a terrific bang for the buck there. This product enjoys really high customer renewal rates and very high customer satisfaction rates because of the low-cost leads it delivers.

I want to turn now to talk about some of our other digital advertising products. Search engine marketing where we sell keywords on Google, we do provide that service. It's a lower margin part of our business but it's a service that we do provide to our customers. We're very good at it. We run good campaigns for the customers and while this business generally has more churn, our version of it is a little lower because we do such a good job and we've been at it for a while.

We also do search engine optimization where we tune up people's websites and help them optimize how they come out organically. We sell digital display ads across the web. We do online listing management all over the web, and we do videos for our customers as well. So we kind of have a complete suite of the digital marketing services.

I'd like to ask Gordon Henry, our Chief Strategy Officer, to tell you a little bit about our SaaS products.

Gordon Henry

Hi, I'm Gordon Henry. Thanks Joe. I'm the Chief Strategy Officer and I'd like to talk to you quickly about three things. One, what's in the SaaS platform? What's in Thryv? Two, what's it like to be a customer of one of the small businesses who uses Thryv? What's interacting with Thryv like? And three, what's the SaaS industry or the piece of the SaaS industry that we participate in? What's going on there?

Thryv is a complete all-in-one solution for the small business. It's a way for them to have an end-to-end client experience all on one platform.

It really starts when a customer of the small business books an appointment or somehow interacts with that business and their data gets stored in the CRM, in the database of the small business. They can then interact via email and text all on the platform. They can exchange documents, for example, project plans or estimates, invoices, bills. The business can collect payments electronically from their customer. They can build their online presence. They can build an online reputation by seeking out reviews. It's really one place where they can do all their interacting with their customer through this platform.

I want to show you now a commercial that we aired. It was quite well known across the country. It helped us build our national brand, and it speaks to the features and functionality that you can find inside of Thryv.

(Video presentation)

Gordon Henry

I'd like to show you know just a customer experience, what's it like for somebody to interact with Thryv, with a business that uses Thryv as their platform.

This woman, her name is Dana Smith. She lives in Dallas. She has a cat, as you can see, named Tabby, and she wants to go away for the weekend to visit her parents who are in north Texas and she needs to board the cat. So, she looks online, of course.

She goes to Google and she types in veterinarians in Dallas, Texas and up pops a number of choices, including you'll note at the top yellowpages.com, which is the IYP, the Internet Yellow Pages Joe was mentioning a few minutes ago. So, she clicks on that and she comes to the website of this reliable veterinarian called Smith Animal Clinic in Dallas, Texas, and she looks around. It looks good and she books an appointment.

When she inputs her data to make the appointment, that data immediately flows through to the Thryv operated by the small business, and so she has her data in their system and they see everything about her including when that appointment is going to happen and every piece of information she needs to share. And then she gets a ping back on her phone saying 'Thank you for booking the appointment, and we're going to give you now an estimate so you can see what this is going to cost you and you can make your payment in advance.' She receives the estimate and she reviews that and it looks good. She makes the decision to go ahead and so she gets an invoice. This pops up on her phone. She can choose a number of different ways to pay, all electronically so it's very easy for her as a customer, so she makes the payment. Also, the business by the way can choose their payment processor. There are a number of different payment processors we offer including out own private label solution, and Dana now has a page on a client portal that the business operates within Thryv and so she can see all of her information all in one place. This is useful for her and the business going forward if she becomes a repeat customer because she and the business can see her customer history all in one place.

Then she goes away for her weekend, visiting her parents; the cat has a lovely time in the kennel, and then when Dana comes back after picking the cat up, she gets a coupon, a 15% off coupon so that she'll return in the future, which is really a good little innovation because many businesses, small businesses don't do a good job of keeping in touch with their customers and by sending these automated coupons it's a way of keeping the customer coming back.

Then, finally, she can fill out a review. The business sends her electronically through Thryv a request for a review and asking for their five stars, which will help them with their Google rankings because loves fresh content and high five-star reviews, and so she goes ahead and does that. You'll see on this review page, which is on the client's website, her review along with others and the five stars, and this gets scraped by

Google and so it will appear on Google. Again, that will help that small business, the veterinary clinic in this case, with their rankings.

We'd just like to show you a testimonial from one of our clients and speaks to the features and functionality that they appreciate, that helps them run their business better on Thryv.

(Video presentation)

Gordon Henry

Just turning to the last piece of my part of the presentation, I wanted to talk about the SaaS industry that we participate in.

Back in 2018 only about 30% of the 30 billion small businesses in the U.S. were in the cloud, but that was starting to pick up speed and grow, and it was projected by 2022 that 60% or over half of the 30 billion small businesses in the U.S. would be in the cloud. We believe that's actually accelerating now, it's happening faster for the reason Joe said before, COVID-19. We've seen a strong pickup in demand for our service as a result of COVID-19 because so many businesses realize you now must do business virtually. It's just it's that important because people don't want to see you in person. We are seeing this acceleration in the SaaS market that we are participating in growing even faster than originally expected.

Thryv is a proprietary solution. We built about half of Thryv in-house. We also have about half of it built by best of breed vendors who we partner with. We have unique relationships with them and many times these are exclusive relationships so it's a proprietary product stack that only we have. We have IP and trademark protection on a number of the features in the product. As Joe mentioned before, we have a sales force, both our own sales force as well as partners sales force, partners that we leverage who sell Thryv to their customers. It's a nationwide sales force at this point, and as Joe mentioned, in the future probably going international. And we're continuously improving the product. We've been around now, the product has been around for five years. We're on version 4.0, working hard now on version 5.0, so it continues to improve.

When you look at the competition, we believe we're more comprehensive, more complete as an experience than any of our competitors. We compete with some very well known companies - HubSpot, ServiceTitan - but these companies, many of them charge more than we do. For HubSpot or ServiceTitan, you're talking in the thousands of dollars a month; Thryv is priced between $199 a month and $499 a month, so most of the plumbers or roofers in a town can afford it if they are a successful business, whereas some of our competitors only the top performer in that town might be able to afford it, so we think we have an edge, both in the pricing as well as the completeness of the product.

When you look at the size of the business that we cater to, there are a lot of very small businesses out there who maybe only have one employee, the owner. We don't really reach down and cater to those one employee businesses. They can often get by using a free tool like Gmail or Square. The meat of the market is who we cater to, it's 2 to 20 employees really, in the SMB space, maybe going up to 50 employees. That's our target market.

Once you get north of there, like 50-plus employees, those businesses turn to more of an enterprise solution like salesforce.com or Oracle.

Just to wrap up, three points I hope you take away: One, that Thryv is really a unique end-to-end client experience platform; two, that for the consumer who is using, who is interacting with one of our small business clients, it's extremely easy. They can really do most of this from their phone. Thirdly, we are on top of a hot, fast-growing SaaS space and we believe we are the market leader, a $136 billion profitable growing business. We've been doing this for five years. We're really excited about the opportunities for the future.

Back to you, Joe.

Joe Walsh

Thank you, Gordon.

Just kind of thinking about the investment highlights, looking at the big picture here. Gordon just said it very well. We're the market leader in a very hot space. We feel like it's a giant wave that's forming and we've got our surfboard sitting right up on top of that wave about to ride it. Not everybody even knows what's under the hood here; it's a tremendous opportunity.

You've got this SaaS platform. Then you've got the directory business that's providing these powerful, predictable cash flows. We've managed to variabilize the cost space to deliver really strong margins throughout. We're delivering significantly amounts of cash flow and that cash flow is paying down debt, basically creating equity value for our shareholders. You've got a very experienced proven management team that have been together for many, many years, operating and executing this strategy.

Just thinking about that high growth business, from inception you can see very strong compound annual growth of this Thryv platform. Gordon mentioned briefly when he was showing that pyramid slide that we don't target the kind of solo-preneur, one person in a business, the Chuck in a truck business. We did experiment with going downmarket briefly and that did cause us a little bit of extra churn, and you can see a little bit of a pause in the up, up, up growth there. But we've shifted and developed really an ideal client profile. We've refined our onboarding and engagement approach, and of course the software has continually been getting better with new releases. As you saw on the unit sales growth that I showed you earlier, we've been experiencing very strong sales this year and we really feel like we cracked the code in are really back growing this thing very, very quickly again and really tapping into that significant market that's out there.

This slide illustrates the steady reduction we've seen in churn. Churn is a killer in a SaaS model. When you're dealing with small businesses, they do tend to behave a little bit more like consumers, so you're never going to get down to enterprise level churn of 1.5% or something like that, but we do believe that we can get this churn down in the kind of 2.5% range and we think that's a really workable level of churn. We're seeing very high levels of engagement by our clients using the product on a regular basis. We monitor. We have tools that look at what they use, when they use, how many minutes in a week and a month they use it, and we've got a Client Experience team who is working closely with the customers, encouraging more usage, helping line up new elements of Thryv so that they can get more and more benefit from what they're buying from us.

Again, strong, strong tailwinds with the pandemic. This is something that was happening anywhere, where small business people were figuring out they needed to monetize, but the urgency that they have to do it now has really been happening.

When you think about what our recognized revenues are going to be in Q4 and in Q1 of next year, it's these kind of as-sold unit sales that are coming over the transom now and our steady growth coming and it's continued right through the summer.

Just thinking about how long Thryv has been around, we've been at it for five years; HubSpot has been at it for 14 and mindbody has been at it for 19, Keap has been at it for 19, signpost for 10. There are people who started before us. Some of them had a different aim. Some of them were software people that invented something and tried to figure out who to go sell it to. In our case, we were guys who worked with small businesses for many years and really understood the problems that the smartphone age was bringing to a small business, and decided to help them solve that problem by creating an end-to-end client solution with best-in-class elements that would give them a dashboard where they could basically, right on the device they already own, just deliver it through the cloud. They could just operate their business, have a dashboard there where they could see everything that was going on and would interact with everything. Through our app marketplace, we've been able to plug in more and more capabilities into what Thryv does, and so we've really, in the space of five years, risen to become the category leader in this kind of end-to-end horizontal small business solution.

I'd like to ask our CFO Paul Rouse to just give us some of the financials, if he would. Paul?

Paul Rouse

Thank you, Joe.

Let's now talk about our print business for a moment. Our print business, while in decline, is a highly profitable business with predictable, strong cash flows. As you can see here, we have been able to increase our variable margins each year for the past three years to 87% as we consolidate our position as the last publisher of scale printing directories in the United States. Our team has decades of experience and a proven track record of managing a profitable print business.

From a consolidated level, this is a business with solid margins and positive free cash flow driven by our flexible cost structure, financial discipline and the experienced leadership of our management team. As this slide demonstrates, we are thoughtfully managing the declining marketing services business to provide free cash flow, to pay down debt and invest in our SaaS business.

The chart on the left is a last 12-month EBITDA walk to unlevered free cash flow. During this period we delivered $452 million of EBITDA.

Now, I will review each of the adjustments and provide a few remarks on how to think about it in the future.

Most of the adjustments here are slightly higher due to timing of expense payments over the period.

Capital expenditures. We have a low capital expenditure business. Our normal range of cap ex is approximately $25 million to $30 million a year.

Working capital was slightly negative. Working capital will jump around positive and negative depending on the period measured.

Cost to achieve was $39 million. Cost to achieve represents one-time costs such as severance, cost of going public, run-off payments on abandoned leased facilities, cost of IT system consolidation and abandonment. For the full year 2020, we expect cost to achieve to be in the range of $30 million.

Pension payments on our frozen pension plans were $41 million. We are expecting pension payments to be in the range of $30 million for 2020.

This resulted in unlevered free cash flow of $330 million. The chart on the right represents each quarter's cumulative unlevered pretax free cash flow. As you can see, unlevered free cash flow grows each consecutive quarter.

Let's now discuss leverage ratio on net debt to EBITDA.

During 2017, upon the acquisition of YP, we levered up to 1.6 times and we quickly de-levered to less than 1 times. At December 31, 2018, we re-levered to 1.8 times to execute a tender offer to repurchase shares. We again quickly de-levered to less than 1.5 times thereafter, where we sit currently.

Thryv has repaid over $1 billion and returned $500 million to shareholders since 2016.

Now back to Joe.

Joe Walsh

Thank you, Paul.

The management team that you get here is across the bottom of the screen there. Most of us have been together for many years. As I mentioned, we built Yellowbook together and have been together here in this company over the last—most of the last six years, some people came along the way. But you've got a very proven, very experienced team that have worked across this business.

The variabilizing the cost structure, the managing the decline of the old business, that part if completely in hand and we're very focused on small businesses and their needs and have been growing the SaaS business in I think a pretty smart way and in a pretty consistent way.

We've assembled a new board, effective the beginning of September, bringing in more SaaS experience, bringing in more software experience. Bringing in people from the Bay area, people who have been directly involved with us. We've got two CMOs from big Silicon Valley companies who are really bringing a lot of demand gen and understanding about inbound marketing and how to really rapidly grow a very scaled software business. We're bringing in a couple—several CEOs who have got background in this transition, in this digital shift and in technology. So we're going to have very strong resources to draw upon in terms of contacts, relationships, ideas, and to help guide the acceleration of growth as break away and really become a very large SaaS platform.

I'd like to bring Paul back here. Paul?

Paul Rouse

Thanks again, Joe.

As we have emphasized throughout this presentation, marketing services is a declining revenue segment but strong cash flow business. Print remains strong within its target demographic. IYP is a highly profitable and owned and operated asset that we are working to stabilize.

SEM is a highly competitive low margin business that we are in for the benefit of our client base. We are focused on maintaining marketing services, high profitability and maximizing its cash flow to pay down debt as we migrate its client base to our Thryv software, which we expect to result in stickier and more recurring revenue streams.

As we have established throughout this presentation, Thryv software has achieved comparable scale with longer established competitors in just five years since its launch. We have adjusted our strategy to focus on upmarket clients that can benefit the most from our software, thereby increasing engagement and lowering churn.

We believe we are well positioned to grow again, given our strong unit sales trends which we presented on Slide 14. Let's now look at the profitability of these two segments.

Both segments are profitable. We have a high-margin marketing services business and a growing and profitable SaaS business. From a free cash flow perspective, our business generates significant free cash flow which we have used to pay down our debt. Since 2017, we have generated $1.1 billion in free cash flow.

Now, back to Joe.

Joe Walsh

Thank you, Paul.

Just to sort of wrap this whole thing up. We're really excited about this direct listing and we feel like this is a wonderful opportunity to showcase what we've accomplished. You've got a high-growth profitable SaaS platform combined with this powerful free cash flow generation for the marketing services business, guided by a very experienced, very proven executive leadership team. We think this can provide a very predictable growth and really a dynamic upside for the business.

I'd like to now open things up for questions.

Operator

At this time, if you would like to participate in a question, I would like to remind everyone to dial into the participant line in order to participate in the Q&A. It is star, one on your telephone keypad. Again, that would be star, one on your telephone keypad.

Right now, I'd like to turn the call over to Brinley Johnson (phon) to take some questions from the web until our Q&A roster fills.

Brinley Johnson

Hi, good afternoon. Our first question is how did you come to the decision of a direct listing?

Joe Walsh

I'll take that one.

Our company is a highly profitable company with very strong cash flow. We almost think of it like having a captive VC because you've got the marketing services business pumping out cash that can be used to fund the growth of Thryv.

It's really a pretty exciting time for our company. The SaaS business has felt a lot of tailwinds right now and a lot of energy behind it with the accelerated transition that's been happening in the country toward digital. The timing seemed right in the business.

As far as our balance sheet and the capital markets, we really didn't need to raise any money, but a direct listing, we've seen the success of some of the other direct listings, seemed like the right play for us and also would give flexibility to some of our shareholders over time.

Operator

Again, in order to ask a question, please press star, one on your telephone keypad. That would be star, one on your telephone keypad.

Brinley Johnson

Thank you. I'll move forward. I have another question that's come in. How does pricing work? Is it an all-you-can-eat or sold by module, and how does pricing scale?

Joe Walsh

It is sold by module. There's sort of a good, better, best pricing scheme. The price points are in the hundreds of dollars range, so this is not a freemium or very low price thing. We are selling at a full good value. We're getting customers to commit both financially and commit to engagement in the product. That's been one of our big successes is very strong client engagement. And yet there is a lot of scope for upsell in the future. We've got the ability to sell more seats, additional licenses for more employees. We can sell more services to the customer. We've got a couple that we've developed and there are more coming.

There are some payment tools where we've got some volume coming in through payments now. That's relatively new but growing very rapidly. We are entering at a relatively high price point initially, as opposed to some freemium or very low cost approach.

Brinley Johnson

Great. Can you speak to how long your pension will be ongoing?

Joe Walsh

I'm going to turn that question over to our CFO Paul Rouse and let him speak about the pension.

Paul Rouse

Hi. This is Paul Rouse.

The pension plan, right now it's a frozen plan. It is underfunded, so we're constantly reviewing each year what's the best strategy and the use of cash for us, whether to accelerate our ability to fully fund the pension plan and spin it off, or is it better use of cash to go with minimum payments and invest back in the business? That's really a decision we make year to year, and also taking a look at changes in law and requirements.

It's something we have no specific plan on retiring the plan right now, but we're looking at it every year.

Brinley Johnson

Okay, great. I think a lot of people are interested in the SaaS business here. Can you give us a further sense of how the business has been impacted by COVID-19 and your strategy for growing this part of the business?

Joe Walsh

Yes, that's an excellent question.

As we've all seen, COVID has been an accelerant and it's driven a lot of companies to move more quickly to digital. We have a lot of small business America that was still operating with paper and pencil or on email, and with the economy booming the way it was, a lot of them felt like things were going pretty well and I'm so busy I don't really have time to stop and do this.

Well, when COVID came along they had the time and they had the absolute necessity to take electronic payments, to be able to do contactless delivery, to set and change their store hours frequently or their offerings frequently. Thryv (inaudible) accommodated all of that, and accordingly, we've seen just a significant tailwind and month-over-month-over-month growth in Thryv, in part driven by the tailwinds around COVID.

Brinley Johnson

Okay, great. Your next question: can you also speak to your interest expense going forward and your expected cash taxes?

Joe Walsh

I'm going to turn that one over to Paul as well. Paul?

Paul Rouse

Hi. This is Paul.

The interest expense, we're planning to de-leverage here so you can expect a decline in our interest expense as we move out.

As for taxes, in the medium term we're returning to roughly statutory tax rates and if there is a—so I would guide that way as you look at medium term.

Brinley Johnson

Okay. Joe, it seems like two businesses, a high cash flow declining business and a potential high-growth SaaS business? Can you separate the two (inaudible) value accretive if you could?

Joe Walsh

Yes, that's exactly—it's a terrific way to think about it. It's really two companies. The marketing services business, very, very high margin, very predictable cash flows, customers are on long-term contracts. Typically a customer will sign a 15-month contract and they're in a—that sort of gives us a lot of forward visibility. We've been able to variabilize the cost of that business completely so that even as it shrinks over time, and we do plan for it to shrink, it will continue to throw off similar margins and a significant amount of cash flow.

Moving over to SaaS, you've got a business that is really at the beginning of a very big macro trend, macro wave really, where small businesses need to modernize. They need to learn to use the devices they already own: their cell phones, their iPads, their tablets, to run their business and get themselves organized. The Thryv product, the whole line really taps into that. We've really I think hit it at a great time. Very strong demand. We've had confirmation really from Day 1 when we started the product that we were all in the right direction. So that business is a growing business.

We did have a couple of quarters where it didn't grow as we kind of went through a transition, but there we're really I guess three big catalysts to the acceleration of growth that we've seen. Our 4.0 software is streets ahead of our earlier versions and it's very easy to onboard, very easy to use and that's made a big, big difference. We've added a marketplace, an app store that's given a bunch of additional functionality.

We've launched new channels beyond just the traditional channel that we had in the past. We've now got a multilocation franchise channel. We've got a partner channel where we're working with resellers. We've got a pretty significant inbound channel with customers coming our way as opposed to just the outbound of our traditional.

Then lastly, COVID. COVID has been wind in our sails. That's sort of how we think about the two segments.

Brinley Johnson

Okay. Thank you. Next question, can you remind us how much debt is on the books currently and your plans to draw that down, if any.

Joe Walsh

I'm going to have Paul Rouse, our CFO, take that one.

Paul Rouse

Hi. You can always refer to the S-1 to keep me honest, but it's roughly net debt is just under $660 million.

Brinley Johnson

Thank you. And next question, what is your target leverage ratio? Where are you now and where do you want it?

Paul Rouse

The target ratio is at 1.5. We're pretty comfortable with that range, so obviously as we de-lever we expect to pay down our debt certainly through the medium term, but we're very comfortable at the target 1.5, where we are at this moment.

Brinley Johnson

Okay. Next question. As you look to expand the SaaS platform, how are you thinking about build versus buy versus partners?

Joe Walsh

I'm going to bring our Chief Strategy Officer Gordon Henry in and have him make some comments to this question. Gordon?

Gordon Henry

Thanks, Joe.

We have a best of breed vendor partner relationship where we have numerous vendors who we have often exclusive relationships with and we continue to enhance the features that they provide us. They account for roughly half the platform. The other half of the platform is built by our in-house team. We've got a sort of lean, mean engineering team that has built fantastic features and functionality, and basically over time we've increased slowly but carefully the portion of the product that's built in-house. We're not looking to have teams that are huge, but we want to add features that we think are beneficial and unique in the marketplace.

As one example, we recently built something we call Hub for Thryv, and what Hub does is it's built for franchisors so that they can really use it as a console to see what's happening in all of their franchisees, and that's unique to us. That's a piece totally built in-house. It's been really well received in the franchise space. So, I would say that over time the portion of the product that's built in-house will slowly creep up, but we will continue to be judicious about that and utilize best of breed vendors when and where it's appropriate.

Joe Walsh

And Gordon, if I may, just add a little bit to your comments and to your answer, another strategy that we've used that's worked really well is some of the key marketplace vendors that have leading technology choices that allow us to have best of breed on our platform. We've partnered with and we've paid them specifically to develop some unique functionality or unique features that we wanted to incorporate into Thryv and we own that IP. Even though we didn't develop it in our building, we expressly paid to have it built for us and is available only to us, to Thryv.

It's an interesting blend, a very modern approach to really developing and quickly developing a powerful software platform.

Brinley Johnson

Thank you. Our next question, given that this will be a direct listing and not an underwritten offering, how should we think about liquidity with such tight ownership?

Joe Walsh

Well, we do have a concentration of ownership, and that's something that we believe will change over time. Historically, the people following and the investors in this business were focused on the yellow pages business. They were investing in the yellow pages business which is a super cash generative business but not growing; it's actually shrinking. Really today, it's kind of the first day that we're revealing that we have this scaled SaaS business inside and it's available for investment. We think it will attract a different type of investor over time. I mean that, you know, $100-plus million fully scaled national SaaS business with international aspirations with the kind of TAM that this thing has, we think should attract a different investor group and should allow the company to transition from the kinds of investors that invested in the former yellow pages to more SaaS growth type investors in the future.

Brinley Johnson

Thank you. Our next question, when does the stock begin to trade? What are the terms on the outstanding warrants? What was the price per share on the recent private placement?

Joe Walsh

Paul, I'm going to turn that one over to you to discuss the timing and some of the particulars.

Paul Rouse

I think on this question it's best I refer you to our S-1 where it's fully disclosed. I think that's—you'll get your best and most correct answer there.

Joe Walsh

In terms of timing though, in answer to that question, early to mid October is when we believe that trading will begin.

Brinley Johnson

Thank you. We have got a question on the competitive landscape, a question on competition. You mentioned HubSpot, mindbody and a few others. Go Daddy, Wix, Squarespace have all been building out capabilities here, serving SMBs with a broader range of solutions. In addition, they have been building out Internet registry work and are currently competitors. If they do not—sorry. If not, how do your offerings differentiate themselves?

Joe Walsh

We really have an end-to-end client solution. We started with the small business in mind. The small businesses that we were calling on were yellow pages customers every day. We were talking with them about their needs. Their needs to be able to schedule appointments for customers, their needs to be able to accept electronic payments, their needs to do estimates, invoices, billing; their needs to try to manage social media; their needs to do marketing automation campaigns and reminders and things like that. We basically constructed our product around the client services needs of a small business and that gave us a much broader solution that also addresses the market horizontally. Basically the entire A-Z kind of former yellow pages marketplace, we have a pretty good solution for. While we're building out more and more verticalization within that, we really have a good broad solution.

There are obviously many participants in the digital market and some of them are in fact edging in to offering more of the kinds of services that Thryv offers, but a small business is really faced with having to have many different subscriptions if they're going to try to buy point solutions to piece together what Thryv does, and they end up having a lot of log-in issues and then the services don't talk to each other. Where Thryv is one integrated unified place, kind of a dashboard where they can operate their whole business out of their pocket on their smartphone.

That's sort of the way we approach the market and the way we think about the competitive landscape.

Gordon Henry

Joe, it's Gordon. I'd like to just add a point to your response, if I may.

In the question, some of the competitors that were mentioned were companies like Wix and Go Daddy. I think the important distinction is companies like Wix and Go Daddy, particularly Wix, very little if any client support is provided to the SMB. Our solution includes a significant amount of support to the SMB, which is really critical because, let's face it, most of them are not techies and they really need help, kind of hand-holding.

So, from the moment a sale is made, however, whichever channel they come through, there's a terrific onboarding process we provide that gets the customer comfortable with how to use the solution and then afterwards we sort of stay with them in the background to make sure they're engaging. We have a Client Success Partner Team that monitors the usage of the product by the customer to make sure they're doing everything right. It's kind of like if you go to the gym, somebody watching to make sure you show up at the gym and keep using it. We have somebody who is watching them. This support really drives the engagement and ultimately the success of the client.

Just one other piece. Go Daddy, Wix, many website providers, we also offer websites. We have a terrific website platform, and so for the client who needs or wants a website, we offer that as an additional product that's sort of bundled in with Thryv, and to Joe's point, it speaks to Thryv very integratedly and so somebody who books an appointment through that website, that website appointment, that appointment goes right into the small business' database and they know that appointment has been made. So, some significant differences and I think improvements that we are able to offer versus some of the competitors that were mentioned.

Brinley Johnson

Thank you. Our next question, what type of cross-sell opportunity is there between marketing services and SaaS? How many existing customers are using both today?

Joe Walsh

The majority of existing customers are using both.

You have to be to how we started. We had this gigantic national customer base of small businesses advertising in the yellow pages and other marketing services, and this big sales force servicing it. We put this new SaaS solution in the hands of that sales force and they went out and began to work with those small business customers.

So, the vast majority of our early sales really came from penetrating that existing customer base, and more recently as we've begun to develop new channels, we're getting more and more inbound customers that are coming to us for the SaaS solution, in a few cases only buying the SaaS solution but in many cases after they buy the SaaS solution they end up buying some of the lead generating products from us from the marketing services side.

There's dynamic and really active cross-sell between these two businesses, between these two channels that both are benefitting from tremendously. These are not kind of separate businesses that just live in the same building. They are really, really dynamically driving each other.

Brinley Johnson

Excellent. Our next question, do you run your own data centers? How are you leveraging the cloud? Which public cloud players, if any, do you use? AWS, GCP or Azure?

Joe Walsh

We do have our own data center. Remember, we run very big consumer sites. We've got yp.com, superpages.com, dexknows.com, and these sites have 30 million visitors a month type traffic and are big, big databases. We do own our own server array to drive that and that those run on. At the same time, we also do leverage the cloud. We use AWS in the cloud and kind of hybrid between the two, trying to optimize the best aspects of both, kind of floating between the two.

Brinley Johnson

Okay, excellent. How exposed are you to mobile traffic and some of the privacy features and signal (inaudible) associated with Apple's iOS 14 released yesterday, and IDFA restrictions.

Joe Walsh

I'm going to turn that over to Gordon to take that question. Gordon?

Gordon Henry

We have extensive security protections on all of—in the SaaS product which are state of the art. As Joe mentioned, we use AWS in terms of security for that and everything we build is totally mobile compatible. We went to mobile first really a long time ago and so any mobile tool that's being used is usable for our SaaS solutions as well as for the websites we sell.

Brinley Johnson

Great. A similar question. As Chrome rolls out 3P browser cookie deprecation (phon) by 2022, how does this impact your SaaS business?

Joe Walsh

Gordon, do you want to keep going with that?

Gordon Henry

Can you just repeat that question?

Brinley Johnson

Sure. As Chrome rolls out their 3P browser cookie deprecation by 2022, how does this impact your SaaS business?

Gordon Henry

Well, anybody who is using one of our websites is using the most state of the art websites available, and as one example of the innovation we have, for consumers who have issues with being able to see color differentiation or characteristics of a website, we've upgraded the websites to be able to have them be able to be used by anybody who has site issues. So we are state of the art in terms of any of the compatibility that's needed with our websites, and we're doing the same with our SaaS solutions.

Joe Walsh

As far as relying on cookies, remember Thryv is a small business' site. It's not necessarily an advertising thing, so you're going there because you want to interact with that small business. I think the cookie issue is affecting more people that are doing retargeting around the web and at the margin there's a little bit of that but that really isn't what Thryv is about.

Brinley Johnson

Thank you. Our next question, could you please talk a bit about what you're seeing with the SMB customer base, especially with retention trends or any sort of customer relief programs you did to help them out during the early part of the pandemic in March and April? And how has that trended since then? How should we think about your visibility into the end market opportunity?

Joe Walsh

Certainly small businesses in many cases were asked to close back in March, so we certainly felt it and we certainly have been working closely with small business America to help solve the problem.

We actively offered a lot of our customers pandemic adjustments where we gave them a month or two or three of billings to try to help them through the period that their doors were closed, but one thing I do want to highlight for you is that our customer base is not very strong in entertainment, in travel and dining. It's much, much stronger in the service businesses, in home services, health services, car services. Most of these businesses continued to operate throughout even the shutdown as they were deemed essential, and so they kept going, and most of them continued to advertise with us. So while we definitely felt it and we do have a fairly significant pandemic adjustment kind of credits that we gave customers this year, our base overall has been pretty resilient.

I will say that the place that we felt it was on the marketing services side and we're working through that very nicely.

On the SaaS side, as we mentioned, Thryv has actually felt tailwinds as COVID has come through, as more and more people have been interested in modernizing their business.

The second part of that question was visibility and we happen to be in a business where we enjoy a really good forward visibility. The sales that we made back in May, June, July, those sales were made on contracts that will be fulfilled into the future, so we've got really good forward visibility. Sitting here today, the 16th of September, we have a really good sense for how the calendar year is going to work out for us because we're able to see those contracts and see the forward visibility.

Brinley Johnson

Thank you. Our next question, why not spin out the SaaS business to be a standalone entity? What are the benefits of having it inside of Thryv?

Joe Walsh

You know, it's an excellent question and I think in the fullness of time that question will get louder and more urgent as the SaaS business gets bigger and bigger and bigger. There's probably a value unlock opportunity there. We certainly see SaaS businesses of this scale carrying really significant valuations.

We're thinking about it in terms of the longer term. We think there's a lot of dynamic energy back and forth between these two businesses right now, a lot of cross-sell. A lot of sharing of resources that are positive and beneficial. And we're just in the very first inning of building out Thryv's own sales channels. Initially it relied completely on the traditional sales force and we're just now building a partner channel. We're just now really building a big, robust and beginning to scale inbound channel. We're just really building out the multilocation franchise channels. We have yet to really do buy it yourself where customers can just go and buy themselves online.

As these build out over time, less and less of the revenue coming into Thryv will be dependent on the traditional marketing services sales force. In fact, as I think I mentioned earlier in the presentation, we think that over the next just few years that more than half the revenue for Thryv is going to come from those new channels, and when you reach that point, that might be a time to really look at the idea of separating the two businesses.

Right now, we feel like the benefits of having them together are greater than the benefits of having them separate. And again, we're not seeking to necessarily monetize the thing right now; we're really looking a little bit longer term for how best to build the business and think of the reliability and the security of that tremendous cash flow coming in from marketing services. It's like having a captive VC bolted right to a SaaS start-up, so a pretty neat setup actually.

Brinley Johnson

Thank you. What are your thoughts on other consolidation opportunities?

Joe Walsh

Well, again, we think about our company as two businesses, marketing services and SaaS. For simplicity, I'll start with marketing services. On the marketing services side, an observer will have seen that we've been doing that. We've been consolidating and rolling up the former Yellow Pages and the legacy marketing services space, and we feel we're very well placed to do that. We've got a very efficient, very automated national platform, and we think that there is pretty nice scope to make accretive acquisitions there that will bring big customer bases in that we can then penetrate with the SaaS value, and so I'll switch over to SaaS.

The SaaS business, when we bought YP, we pretty quickly penetrated about 10% of that customer base with SaaS subscribers, and so we feel like when we look at some of the future acquisitions that might happen in marketing services, there'd be a step function lift in opportunity for SaaS.

Now, in acquisitions on the SaaS side, we are interested and are obviously scanning the marketplace around SaaS, but at the moment those—at least a really big one—would be a dilutive thing, so we're really looking at things that can be accretive on an LTV to CAC basis, and that can move that product forward.

That's sort of how we think about acquisitions looking through the lens of the two different businesses.

Brinley Johnson

Thank you. Our next question, in terms of the SaaS business, the TAM is $10 million and you're looking at acquiring 2% of the market. Is that a three-point shot or a lay-up?

Joe Walsh

I'll let Gordon start that question and then I'll circle back and add to it a bit.

Gordon Henry

Yes. So, there were 30 million small businesses in the—30 million businesses and most, 97% or 98% of them are like 50 employees or less. We think that approximately 10 million of those are in our TAM. We think that penetrating 2% is very doable, so I would say closer to a lay-up because we're in a unique position in this marketplace, as Joe said, that being end-to-end comprehensive. We think the market is moving towards us. There was a slide you may have seen, 30% of small businesses were in the cloud in 2018; that number was predicted to move to 60% by 2022. We think it's actually happening faster because of COVID, and so the market is moving to us rapidly.

We're pretty confident at the ability to do that. We already have a customer base in the mid-40,000 range, roughly 45,000 subscribers, and as Joe said, with these opportunities for growth coming up, multiple new channels, franchises, potential penetrating of acquired properties, we're very confident in the ability to grow that customer base.

We're not just looking to grow subscribers to get numbers. We're really interested also in expansion revenue and delivering more capabilities to those customers which will improve revenues. For example, Joe mentioned payments as one source of that which will improve our expansion revenue and net dollar retention.

Joe Walsh

Yes. I would just add to that that question only contemplates the continental U.S. and we also are looking beyond that market as well. We think there's pretty significant scope for us to do things internationally with the business. We've been very disciplined and very methodical about building it in a kind of a low-risk way up until now.

I think the last capper I'd put on the question is Thryv is a clear category leader for small business SaaS in the U.S. Some of the other companies that are out there have customer bases that are somewhat similar to our size, but they're also international. Their penetration in the U.S. is much, much, much less than ours.

We're a well-known brand. We had a couple of years of national advertising behind it. We're a big company. Small businesses are very aware; we do a lot of online targeted marketing. We do a lot of marketing to our existing customer base. Thryv is the big brand in this space and this space is forecasted to grow tremendously and uptake of the cloud among small business tremendously. We think that we are in pole position to capture the growth that will occur naturally. Forget about any magic that we would do; we're just in a good position to capture a lot of the growth that's just kind of coming our way, and we're seeing that this summer with very strong uptake of Thryv.

Brinley Johnson

Thank you. Our next question, for the SaaS business, how should we be thinking about the revenue mix generated from Thryv organic products and partnerships? Is the Thryv platform the organic products and the leads and add-ons make up the partnership mix? Do you have any large exposure risk to partnerships that we should be aware of?

Joe Walsh

It's hard to get at it exactly the way that question was asked. Thryv is a complete solution. We really are selling like pieces of it. It's not really a bundle. It's really a product in and of itself, and it does have about 22 elements to it overall, different things that it does for a small business. And I must say, not all small businesses use every piece of it. It's a little bit like your iPhone. You don't use everything that your iPhone does, but if you use 30%, 40% of it, you're pretty darned happy. There's always some other extra things that it does that you don't use. I would say it's that way here.

We do have the add-ons, and the add-ons I would say for small businesses, for marketing services, are really a way to keep them completely with us. It's kind of table stakes, right? A lot of small businesses would buy a thrive and maybe have us do their website. Maybe they want a cool video on the website or maybe they want to do some online targeted display advertising, or they need some SEO help. These add-ons are just natural rather than sending them out to another business that might look to try to take them away from us. It just makes more sense to kind of keep it inside the tent. It's really that's the way we think about it.

Gordon Henry

Just to add to that, I think the question also was addressing leads and as you saw in the presentation, we have, of course, a very extensive leads business and in terms of our online leads packages, Joe showed us a slide that portrayed the sort of ecosystem of our leads products, and in addition to our owned and operated properties, the 30 million visit we have a month to yellowpages.com and superpages.com and dexknows.com we also offer leads from many of the large sites out there like Yelp. In fact, we are generally the largest reseller of those properties, so we offer, really, for some small business that wants to get leads off the Internet, we give them the ability to access that, not just through our owned and operated but through partners.

Brinley Johnson

Great. Our next question, HubSpot trades at 14 times sales multiple, 200 times EBITDA and a $12 billion market cap. The yellow page business trades at, like, 0.6 times sales and 2.5 times EBITDA. Thryv is like HubSpot. Embedded with print, it trades like print at 2.5 times EBITDA. It would seem like a huge opportunity to spin off Thryv and get HubSpot multiple?

Joe Walsh

What a great question. Extremely well asked. Pointedly asked, I would say.

We think that's out in front of us and we think that there is an opportunity to spin the business off and potentially crystalize that kind of a value unlock that you so specifically pointed out there. We just don't feel the need to do it right now. We don't have any pressing reasons to sort of separate or sell off the business right now. We think that the benefits that are happening and the dynamism between the two right now are more favorable.

But you bring up and excellent point and I would say that that might be a really good investment thesis for why one might want to invest in this business is there looms out there in the future that sort of unlock opportunity. I would think that some of that will happen naturally, as sharp investors identify this scaled SaaS business sitting in secret inside of this yellow pages company and the yellow pages valuation. I mean, I don't know, the last time I studied investing you were supposed to try to invest in things for less than their intrinsic value, so it just seems like a really good opportunity.

I love your question. That was pretty well asked. Thanks.

Brinley Johnson

Thank you. Our next question, what do you see as the big growth drivers of the SaaS business? Are you growing organically, through acquisition or through existing clients?

Joe Walsh

I must say much, much of the growth in the beginning and really up until now has come from the existing customer base, saying, 'Yes, I need that solution,' and us penetrating that existing customer base.

More recently, really, really particularly over the last year or so, we've begun to build channels outside of the traditional yellow pages, traditional marketing services sales force, and those channels are really starting to get traction. They are acquiring all what I would call new new customers, people that haven't been in our marketing services, that are coming in in order to buy SaaS. They're hand raisers that are going to Capterra or G2 Crowd to study software and they're finding out about us, or they're doing a search online and they're finding us, and they're raising their hand, they're watching our videos, they're coming to our website and they're beginning to buy. But we're at the very, very beginning of that. I'd say we're in the first inning of that piece of it. We're really beginning to see new new customers come in and happily some of them are also buying leads from us, eventually, but we're just at the beginning of that. Most of what you see so far is just us working with the existing base, solving their problems. And there's more, a lot more left there. There's a lot more penetration that will occur there. Some of them we shared with a couple of times over the last couple of years and they just weren't ready to do it yet, and we're finding as we call on them this year they sort of see the need to modernize a lot more than they did in the past.

Brinley Johnson

Next question, who do you see as your biggest competitors in the space?

Joe Walsh

I guess there's two kinds of competitors. There are a lot of point solutions out there, people that do narrow things like they offer a schedule or they offer payments and so on, and there are more of them than I can name. There are actually fairly few that do more of a—well, that would be closer to the end-to-end client experience that we try to do. One of them is Infusionsoft or Keap. It's been around quite a while. They're a software company that has sort of evolved to try to help small business with a kind of a light CRM marketing automation type tool. We certainly see them.

There's another company that is really pretty focused on the ratings and review space podium that's out there that we see occasionally as well.

HubSpot is really above us. Their price point is four or five times higher than ours, so we do bump into them but they're really above us in the marketplace from a price perspective.

Brinley, we're running toward the end of the time that we've allotted. I don't know how many more questions but we probably should just pick a few more and look to wind up.

Brinley Johnson

Sure, and thank you all for your interest. We have some really good ones. If there's anything that is not answered, please feel free to reach out and we will follow-up.

Our next question, how easily can the SaaS platform be adjusted or versioned to serve vertical segments of the SMB market?

Joe Walsh

I'm going to turn that over to Gordon. I can see he's chomping at the bit to offer some thoughts there on verticalization. Gordon?

Gordon Henry

Yes, that's a very good question. It's a very important piece of our approach. We've already identified sort of the key verticals. There's a little over a dozen sort of verticals that we think we can attack. We've already adapted the product and verticalized the product for home services, which is maybe our largest category, professionals, auto, some of the major categories that we cater to, and we're already offering those.

We have the platform verticalized where not only the images that the business sees but the language and taxonomy that the business sees when they have their pulldown menus, making it easy for them to, for example, send invoices, estimates, things like that, that are appropriate and not do a lot of work for those. That is something we are already set up to do. It takes a bit of work for us, for sure, but as I mentioned, we're already verticalized for several of the key ones and you can see those—expect those to continue to be rolled out, which is important because we do find in many of these segments that there is sometimes a small competitor who are addressing just that category, and we want to be competitive with those, and we are.

It's work that our team has to do, but we're already playing in many of the key verticals.

Joe Walsh

Gordon, I'd like to just expand on your answer just a touch.

As Gordon said, we do have Thryv Legal now, Thryv Home Services, and if you—once you tell Thryv that you are a lawyer, it's going to talk to you about clients, not your pets or your customers. It will start to customize the language and offer you in your marketing automation campaign things that a lawyer might look for and so on. But we could go much, much further, and this is one of the big opportunities and one of the opportunities that we have on our product roadmap to exploit is that some of these vertical plays you can get traction by going in and saying, 'We just work with funeral homes and so we're better at it because we just work with funeral homes.' So, verticalizing is something that we think will be a big growth driver. It is going to require a little bit more investment, a little more time for us to build that out in a more robust way. Look for that to be one of the big growth areas.

Brinley Johnson

Excellent. We'll take a final question here and then I'm going to turn it back to Joe for closing remarks.

Any new advertising campaigns? TV, radio, print or other?

Joe Walsh

Gordon, why don't you lead that answer.

Gordon Henry

Sure, thank you.

You all saw the TV commercial. That was something we ran back in roughly 2018, early 2019. That was to build a national brand. It did a terrific job in explaining what Thryv did to customers out there and prospects out there. We ran that for roughly a year and in addition to building the national brand it sort of created an entryway for our sales force, so when they would call on a customer the customer was familiar with that.

Once that was out there, we shifted a bit. We identified more specifically what we call our ideal client profile, who we wanted to target. And so we pulled back on the national brand advertising and moved more to an online advertising strategy where we were able to target specific verticals or customer types with our online advertising, and that's a strategy we continue with today. That's what you'll see out there today, not the mass media but much more the targeted online advertising based on verticals and based on ideal client types.

Then, I would also add that we have a very strong content strategy now where we've built a lot of online content, blogs and other communications, podcasts, etc., that customers can find out about us and often that content leads them to us. Someone clicks on our online content and that takes them through to the opportunity to reserve a demo or where they can get a demo of the product through our Demo Assist Team, which is our inbound team based in Dallas.

That's much more the direction we're going now, is much more targeted.

Joe Walsh

And Gordon, I feel like I want to amplify just a bit there. I mentioned that we've been penetrating the existing customer base. We have a little less than 15% of the total customers buying Thryv at this point, so the uptake in our existing customer base is still very strong and still coming through very strong, and there's a lot of kind of marketing and targeted promotion still to do within the customer base. Then, of course, we have many Thryv software customers who came in as new new that haven't bought marketing services yet. There's a lot of cross-sell dynamic that we think will play out here, kind of going forward.

Brinley Johnson

Thank you very much, and I'll turn it back to Joe for just a final wrap-up.

Joe Walsh

Thank you very much. I appreciate that.

Listen, just to wrap up, I would like to thank everyone for joining us today. We're really excited about the future market opportunities of this business. We have a strong business model with predictable cash flow from the legacy marketing services business, complemented by a really big scale SaaS business that is growing now and we expect its role to accelerate.

I would say to you that if you have further questions that you didn't manage to get in on this call, please reach out to our Investor Relations Team. They're waiting, anxious to answer your questions and help you with modeling and all that stuff.

We look forward to a lot of long-term success with this business. Thank you everyone.

Operator

Thank you everyone. This will conclude today's conference call. You may now disconnect.