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Q4 2022 Thryv Holdings Inc Earnings Call

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CORPORATE PARTICIPANTS

Cameron Lessard *Thryv Holdings, Inc. - Director of IR & Capital Markets*
Joseph A. Walsh *Thryv Holdings, Inc. - Chairman & CEO*
Paul D. Rouse *Thryv Holdings, Inc. - CFO, Executive VP & Treasurer*
Ryan Cantor *Thryv Holdings, Inc. - Chief Product Officer*

CONFERENCE CALL PARTICIPANTS

Arjun Rohit Bhatia *William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst*
Robert Cooney Oliver *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*
Ross Kesselman
Scott Randolph Berg *Needham & Company, LLC, Research Division - Senior Analyst*
Zachary Cummins *B. Riley Securities, Inc., Research Division - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, good morning. My name is Abby, and I will be your conference operator today. At this time, I would like to welcome everyone to the Thryv Holdings, Inc. Fourth Quarter and Full-Year 2022 Earnings Conference Call. Today's conference is being recorded. (Operator Instructions) Thank you. And I will now turn the conference over to Cameron Lessard, Head of Investor Relations. You may begin.

Cameron Lessard ***Thryv Holdings, Inc. - Director of IR & Capital Markets***

Thank you, operator. Hello, and good day to everyone. Welcome to Thryv's Fourth Quarter 2022 Earnings Conference Call. On the call today are Joe Walsh, Chairman and Chief Executive Officer; Paul Rouse, Chief Financial Officer; and Ryan Cantor, Chief Product Officer. A copy of our earnings press release and investor presentation can be found on our website at thryv.com in the Investors section.

Some of the comments made on today's call and some of the responses to your questions may contain forward-looking statements about the operations and future results of the company. These statements are subject to the risks and uncertainties described in the company's earnings release and other filings with the SEC. Thryv has no obligation to update the information presented on the call. Also on today's call, our speakers will reference certain non-GAAP financial measures, which we believe will provide useful information for investors. Reconciliation of those measures to GAAP will be posted on our IR website.

With that introduction, I would like to turn the call over to Joe Walsh.

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Good morning, Cameron, and thank you all for joining us on our call today to discuss our fourth quarter results. 2022 was a year of tremendous accomplishment at Thryv. We finished the year with strong financial results, improved efficiency and continued product innovation with the release of Marketing Center. Fourth quarter SaaS revenue grew 25% year-over-year and 26% for the full year. SaaS subscribers ended the year at just over 52,000, an increase of 13% year-over-year. SaaS monthly ARPU grew 10% in the quarter.

Our average customer now spends around $4,400 a year compared to $4,000 1 year ago and $3,000 in 2020. So we're making really good progress on ARPU with customers using the product more and buying more and buying higher end versions of the product.

One year ago, on our earnings call, I highlighted our goal of targeting more balanced growth in SaaS subscribers and ARPU going forward, which we've achieved for 3 consecutive quarters. Engagement has increased 37% year-over-year, which we feel is a very strong indicator for durable growth. Our clients are using the Thryv platform to run and grow their businesses to find customers to stay organized, communicate and get paid. Seasoned monthly churn has remained flat in the mid-1% range, which we consider to be world-class. On the bottom line, once again, SaaS EBITDA came in better than our expectations. This is significant as we cut our SaaS EBITDA loss by almost half since we issued guidance a year ago.

We've been focused on driving cost-efficient growth, not growth at all costs. The U.S. has been profitable for 3 quarters in a row as we

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continue to scale and move past our investment stage. SaaS EBITDA loss is a result of our expansion internationally, the Australia and Canada. I'm pleased to report that Australia is on a path to turning a profit after selling SaaS for only 6 quarters, it's been one of our top producing regions. So we feel our playbook really works, and these are not big losses, only single-digit millions. Once we stand up a new country, it takes a couple of years to cashflow and then it goes from there. So that will be our model as we move forward.

On Marketing Services, we continue to see very predictable performance in billings, which allows us to generate solid cashflow and paydown debt.

Next up, I'd like to introduce Ryan Cantor, our Chief Product Officer. Ryan?

Ryan Cantor ***Thryv Holdings, Inc. - Chief Product Officer***

Thank you, Joe. As we previously covered in both 2021 and 2022, Thryv continued to responsibly expand our engineering and product capabilities. We've invested in a robust UI/UX team to ensure the Thryv platform remains both powerful and easy to use. We've invested in in-app experience to fuel our product-led growth initiatives. We've invested in product and engineering to conduct better client research and to accelerate our road map to deliver better value to our current and our future clients. Small businesses run better on Thryv. We know this and hear it every day from our clients. Thryv is a growing all-in-one small business platform. The needs of these small businesses continue to grow at an accelerated pace and Thryv is in pole position to deliver increased functionality to meet this growing demand.

In early 2022, we unveiled an exciting new product strategy to move to a multiple center platform. This would allow us to solve these additional problems for our existing clients and attract a wider array of new clients into our platform in the coming periods. After a year of development and numerous rounds of live client testing, we were excited to launch Marketing Center in Q4. This exciting new center presents a bridge between our past and our future. Marketing Center was built from the ground up and focus on the modern needs small businesses have with growing their business while leveraging our decades of experience offering Marketing Services and tools to the market. To date, Marketing Center results have been strong and client reception has been incredibly positive. We plan to share additional metrics and insights about our newest center throughout the year.

Sitting right underneath our centers are a growing number of modular apps that enable our users to customize the Thryv platform to meet the specific needs and pains they have. For those looking for a more cost-efficient payment option built specifically for service-based businesses, we've built ThryvPay to be a modular app and then recently improved ThryvPay again by launching mobile card readers throughout the U.S. Additionally, for small business owners who have modern iOS or Android devices, ThryvPay also just recently released tap-to-pay using near-field communication technology to turn a small business owner's mobile device into hardware to accept lower fee card-present payments. Launched in October 2020, ThryvPay now enables businesses to accept credit cards or bank drafts. They can accept in-person payments via mobile devices or deviceless with tap-to-pay. They can accept online payments via QR codes, SMS text messaging or e-mail, and it makes it easy to pay with Apple Pay or Google Wallet. It enables small business owners to offer consumer financing to their clients for larger ticket items. Lastly, ThryvPay enables customizable automated surcharges or convenience fees to help offset the cost of payment processing. While lower average ticket sales put some pressure on overall payment volumes in Q4, overall ThryvPay volume nearly doubled year-over-year. In 2022, the second full year of ThryvPay, overall payment volume grew to over $140 million, a 114% year-over-year improvement.

Another app we've recently launched is our new Signatures app. Signatures enables our users to upload a document to send to their contacts for an e-signature fully built into the Thryv platform. This eliminates the need for users to take multiple manual steps to get their contracts, agreements or proposals signed and then uploaded to their centralized CRM. With Signatures, it is now a fully automated process end-to-end. The Signatures app enables all users to try for free with up to 5 free signatures per month. People who need more and have been able to try it before they buy it, can upgrade in-app to $49 a month for up to 100 signatures with a small overage fee for additional. This release is on the heels of our TeamChat that we launched in early Q4. 10% of our active users are already adopting TeamChat, which is extraordinary, quite frankly, especially given the holiday season backdrop. TeamChat enables all of the internal collaboration and coordination within a small business to take place in an organized and secure way. These releases are in addition to a multitude of enhancements we released to improve our core Thryv product.

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We recently launched both native 2 Way real-time Google Calendar and native Outlook integrations to better meet SMBs where they are before they adopt Thryv and to easily see their Thryv appointments and events inside both Google and Outlook and vice versa. We launched a robust and configurable end-to-end deposit workflow that enables service-based businesses to be paid a portion of their estimate at the time of approval while capturing a digital signature all in just a few clicks for the end consumer.

In addition to the deposit improvements, we have also released all new customizable templates for both estimates and invoices, enabling SMBs to pick a style and a color that aligns to their brand. Additionally, this month, we launched the ability to better configure both estimates and invoices with customizable sections and headers with easy-to-use drag-and-drop capabilities. Both of these improvements have been top 5 requests from our users, and we were delighted to deliver it for them. In 2022, a combined 1 million estimates and invoices were created and sent inside the platform. That represents a 20% improvement year-over-year. We launched an improved rich text editor for our heavily used centralized inbox, enabling better control and customization for longer-form conversations, and this release has been a hit. Inbox conversations in 2022 increased nicely with Thryv now powering 7 million conversations between small businesses and their prospects and customers.

Every month, small business frustration from over adoption of independent point solutions continues to grow with more and more businesses seeking out a true all-in-one platform that can grow with them. That's what Thryv is. It's simple, it's powerful and it's tailored to the needs of these growing small businesses.

And with that, I will now turn it over to our CFO, Paul Rouse, to discuss fourth quarter financial results. Paul?

Paul D. Rouse ***Thryv Holdings, Inc. - CFO, Executive VP & Treasurer***

Thank you, Ryan, and good morning to everyone on the call. As a reminder to listeners, we are going to focus on our 2 segments, SaaS and Marketing Services, which includes results from both domestic and international operations. We feel this is more helpful in modeling and understanding the business. Additional breakout between domestic and international for each segment can be found in the appendix section of the investor presentation on our website.

Okay. Let's get into the numbers, beginning with our SaaS segment. SaaS revenue grew to $59.3 million in the fourth quarter, another strong quarter and a 25% year-over-year increase. Full year SaaS revenue grew 26% year-over-year. At the end of the fourth quarter, SaaS subscribers totaled approximately 52,000 compared to 46,000 in the prior year. This represents a 13% increase in subscribers year-over-year and our third consecutive quarter of double-digit growth. SaaS ARPU increased to $387 in the fourth quarter compared to $351 in the prior year and represents 10% growth year-over-year.

Turning to the bottom line. Fourth quarter SaaS adjusted EBITDA was negative $2.2 million and ahead of guidance. Full year SaaS adjusted EBITDA was negative $13.4 million, which is an improvement of 36% year-over-year and almost $10 million better when compared to the midpoint of our original guidance. As indicated at the beginning of 2022, our goal was to show more operating leverage in our SaaS business as the year progressed. Throughout the year, we've emphasized the value creation potential from improved marketing efficiency due to our enhanced team selling model. We are pleased with the results and have confidence for our positioning in 2023.

Seasoned net dollar retention was 91% in the fourth quarter. As a reminder, seasoned net dollar retention represents clients that have been with us for over 1 year.

Moving over to Marketing Services. Fourth quarter Marketing Services revenue was $220.1 million and ahead of guidance. Our notable performance was due to strength in our digital offerings. Full year Marketing Services revenue was $986 million, which includes $89 million in contribution from Vivial Holdings on a reported basis. Fourth quarter Marketing Services adjusted EBITDA was $70.4 million, resulting in an adjusted EBITDA margin of 32%. Full year Marketing Services adjusted EBITDA was $346.7 million, resulting in an adjusted EBITDA margin of 35.2%, in line with our projections throughout the year. Fourth quarter Marketing Services billings was $192.8 million, representing a decline of 17% year-over-year. Full year, Marketing Services billings was $829.9 million, representing a decline of 18%. Both of these measures exclude the impact of Vivial.

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Fourth quarter consolidated adjusted gross margin was 68%. Full year consolidated adjusted gross margin was also 68%, and unchanged when compared to the prior year. Fourth quarter consolidated adjusted EBITDA was $68.2 million, representing adjusted EBITDA margin of 24%. Full year consolidated adjusted EBITDA was $333.3 million, representing an adjusted EBITDA margin of 28%. I would also like to point out that we have an impairment to goodwill, a onetime noncash charge in the fourth quarter in the amount of $102 million or $2.98 per diluted share related to the structural decline of our Marketing Services business. Net loss was $50.4 million or a loss of $1.47 per diluted share for the fourth quarter 2022 and compared to net income of $5.1 million or $0.13 per diluted share for the fourth quarter of 2021.

Finally, our net debt position was $468 million in the fourth quarter. Our leverage ratio for the fourth quarter in accordance with our credit facility was 1.4x net debt to EBITDA and well below our covenant of 3x. The company generated an additional $34.5 million of free cash flow in the fourth quarter and paid $31 million towards our term loan. From a year-to-date perspective, we generated $119.3 million in free cash flow and paid $112.5 million towards our term loan.

Since the refinancing associated with the Sensis acquisition in 2021, we paid nearly 40% of our term loan in just under 2 years. In addition to the progress we have made on our long-term debt, we have made significant headway in reducing our pension liability over the course of 2022, a reduction of $68 million, a nearly 50% reduction when compared to the prior year.

Now let's discuss guidance for the first quarter and full year 2023. For the first quarter, we expect SaaS revenue in the range of $59.5 million to $60 million. For the full year 2023, we expect SaaS revenue in the range of $257 million to $259 million, which implies SaaS revenue growth of 19% to 20%. For the first quarter, we expect SaaS adjusted EBITDA in the range of negative $2 million to $3 million. For the full year 2023, we expect SaaS to be adjusted EBITDA positive. This full year guidance currently reflects a more profitable U.S. SaaS business offsetting international investments.

For the full year 2023, we expect Marketing Services revenue in the range of $635 million to $649 million and adjusted EBITDA in the range of $185 million to $187 million. You can find quarterly ranges for Marketing Services revenue in our press release and investor presentation available online.

As indicated on the third quarter 2022 earnings conference call, we expect to ship fewer print publications in the third quarter of 2023. And due to the accounting treatment, it will impact our third quarter results. However, this does not impact free cash flow and our ability to retire debt. We expect a very high cashflow conversion in the third quarter. For this reason, we want to point investors to our Marketing Services billing performance and operational metrics in our investor presentation, which shows steady performance for many historical periods.

We realized a nonlinearity of print is a bit complicated, and we try to provide as much information as possible to be transparent. And finally, due to the visibility we have in the business, we feel confident we can retire approximately $100 million of debt in 2023.

I'll now turn the callback over to Joe.

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Thank you, Paul. We are focused this year on efficient growth. We're fully scaled in the U.S. The business has been profitable now for a while. And the losses are fairly small for the new country starts, enough so that the U.S. can cover those and carry them. We've got an overall now profitable business in '23. And we've reached that scale where we're beyond the investment phase. So as we launch new countries going forward, there'll be a small investment as we setup a new country, but we now have a fully scaled U.S. business that we think can carry that.

One interesting highlight in this transformational journey of our company. And this is actually, I think, a really big deal is that for 2023, in our financial plan and our model, SaaS revenues actually eclipse print revenues for the first time. Yes, that's right. I'm being clear about that. The SaaS part of our business will have recognized revenue larger than the print part of our business. Now to be honest, a little bit of that is the revenue recognition issue where some books moveout of the year. But by the time they get to '24 and that sort of corrects and reverses, the SaaS business with -- at the rate that it's growing, well, it'll just pull it away from the print business. So this was the

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inflection point where SaaS is larger than print. And from here on out, it will just pull away. So that's a gigantic milestone when you're trying to transform a legacy company into something new. And for those that were sort of waiting for that moment, this is that moment where that crossover is occurring.

The way we are investing our money is into engineering and into product. We're pretty focused on making sure we've got the best-in-class product, that we've got an all-in-one solution at the moment when small businesses are beginning to move to the cloud and beginning to experiment with point solutions. There's a sort of a crisis of disconnectedness where people really desire a more simple -- think about you get an iPhone because it just works. The Android phone might be slightly better with a better camera and a few other odds and ends, but it's more of a do-it-yourself project. When you get that iPhone, it just works. And that's what Thryv is. It's this premium brand, superhigh quality, everything works well together. It's integrated into its own app store and marketplace. You can run your business under one login with 1 dashboard with an all-in-one product. And that's super desirable for people at this point. There's sort of a vendor consolidation thought process out there that's going on even with the people have begun to experiment with SaaS.

So our investment is in product. We haven't had to throw lots of money at marketing and sales because we have this unfair advantage. We have 400,000 existing accounts in our zoo, in our customer base that are steadily buying more and more software as this trend is picking up speed of small businesses moving to the cloud. The largest area now of customers for us is actually referrals, where those existing 52,000, who are thrilled with what Thryv is doing for them are telling their friends, and that's driving referrals now to be more and more of our revenue base. When you think of us investing, don't think of us throwing money at plastic sales and marketing efforts. Think about a robust product investment.

When we think about our customer base, we often talk about the SMB. When we started, we were kind of in the lower case S. We were selling very tiny solopreneurs, 2 employee, 3 employee businesses. But as our platform has gotten stronger, gotten more robust, as we've gotten better at figuring out who our ideal client is, we've begun to move upmarket. So we're moving up more to the 10 or 15 or 20 employee businesses a little bit more. And we're finding that they are able to consume a lot more of the software. And obviously, they have lower churn. They have great payment capabilities, and they tend to be less volatile. So that's part of the journey that we're on, is moving from lower case S to kind of upper case S and even tipping into the end just a little bit as we're moving forward.

Our Marketing Services business, I realize it's a little tough to understand the way the revenue recognition is bouncing around. I would just direct everybody to look at cashflow. We can show you cashflow going back for years. And it's like a metronome. The rate of decline is very steady, and that cash is coming through. And we paid down a lot of debt last year, and we will paydown a lot of debt again this year. So we're cashflow guys. Keep that in mind. We are very focused on delivering cash. It's what we've been doing our whole career, and we feel comfortable that we will be able to continue to do that.

When we first got to Dex Media, the very first thing we did was rip out a couple of hundred million dollars of costs, just restructure the business. Then we bought YP, and in no time flat, we improved margins by 20 points for anybody that was watching. So we're pretty focused on efficient growth and delivering cash. That really is always our way. And we are always looking ahead, planning ahead, looking to variablize the cost, looking at cost levers that we can use. And keep in mind, in 2024, the publication schedule normalizes a lot. So the Marketing Services revenues recognition at least kind of roars back. And -- but SaaS, as I mentioned, will pull away and be bigger at that point.

So that's a quick trot through our business and an overview of where we are. Operator, why don't we open it up for some questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from Scott Berg with Needham & Company.

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Scott Randolph Berg ***Needham & Company, LLC, Research Division - Senior Analyst***

Congrats on the nice quarter. I guess I got a couple here, Joe. I know it's really early. You've only had Marketing Center out for a couple of months. But any bits of anecdotal information you can share? Maybe is this being purchased by new customers as part of the Business Center suite? Or is this maybe selling better to existing customers in a cross-sell motion?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Well, thanks for the question. Marketing Center is off to a strong start. As you mentioned, we really just started selling it at the very end of the year. So we don't have a super long run at it so far. We did limit it in this initial leg, in this initial phase to you can only buy it if you're already a Business Center customer. So that's the universe that we're marketing it to at the moment. So we're really not bringing in new with at the moment. Now that won't be that way forever. It was just our gated way of launching it to make sure that we had really good success that will achieve. But sales have been good. Interest in it has been very high. As Ryan mentioned in his prepared remarks, it does kind of bridge back to our legacy, our legacy reputation is linking buyers and sellers together through Marketing Services. And a lot of our employees date back to that period of time and have a lot of credibility and a lot of skill there. So it was a really logical move in that regard. So Ryan Cantor, I don't know if you would like to expound or offer anything about what you're seeing in terms of customer anecdotes or customer uptakes. Ryan?

Ryan Cantor ***Thryv Holdings, Inc. - Chief Product Officer***

Thanks, Joe. Early signs of people who have adopted Marketing Center, as Joe alluded to, are adding it on top of their already powerful Thryv experience. And they're taking advantage of better insights as customers are visiting their website or their landing pages, they know where they're coming from, which is really starting to now inform their decisions. So we're just starting to see people starting to run some paid advertising through the platform in the early parts of the year. And we're starting to see some really, really strong results there as well. So all things are very optimistic.

Scott Randolph Berg ***Needham & Company, LLC, Research Division - Senior Analyst***

That's super helpful. And then from a follow-up question, Paul, we know what's going on with the Marketing Services business this year. You guys have certainly detailed that over the last 90 days. But I think the number one question I get with the revenue in the year is how should we start thinking about bookings or billings for that segment here? I know we've kind of used the 20% annual contraction as the rule of thumb the last couple of years. Should we think about the billings being kind of in line with that 20%, maybe a little bit below, which is where it's been? Or is there maybe a different trajectory going occur this year?

Paul D. Rouse ***Thryv Holdings, Inc. - CFO, Executive VP & Treasurer***

No, no. I think that's the correct way to think about it. Like it was 18% for the year, 17% negative for the quarter. Like Joe mentioned, it's a metronome and that's the correct way to think about billings going into '23.

Scott Randolph Berg ***Needham & Company, LLC, Research Division - Senior Analyst***

That's all I had. Congrats on the next quarter again.

Operator

We will take our next question from Arjun Bhatia with William Blair.

Arjun Rohit Bhatia ***William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst***

Congrats on the quarter. Maybe to start off with products. And Joe, maybe this is for you and Ryan possibly if you want to jump in, but it seems like you're adding a lot more capability to the solution, right? You're adding e-signature, you've had the chat functionality, obviously adding Marketing Center. How do you think about with new capabilities that are coming in, how do you think about partnering with existing solutions that are out there versus building something yourself and what considerations do you take in in terms of product experience, UI, et cetera, because it seems like your MAU growth kind of jumped off the -- took a step function increase rather this quarter. And I'm sure product enhancement has something to do with it. But how do you think about just the road map and adding new capabilities going forward into the platform?

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Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Thanks for the question, Arjun. We're listening to our customers. We're spending time, talking with them, meeting with them. We do Zooms with them. We call them. We have a Facebook chat session with them. Ryan just spent a couple of days with one of our biggest customer groups, this big franchise group. He spent 2 days there, just sitting and talking with people about the details, the little stuff like screens, like help sessions, like really into the weed. So we're listening to our customers. And I would say that if I were to put a banner over the whole thing, we're trying to make it as easy as possible for our customers to succeed. We're trying to make when you kind of plug things together and that just works. And so the way we do that is we sort of think of ourselves as Switzerland. We've got our marketplace, which we've got plans to even significantly improve that in the year ahead. But we've got our marketplace, which if there's some standing stuff and existing stuff that you're already using, you can often just go into the marketplace and connect it and the data flows and it starts populating your CRM and it makes life easy.

In terms of the add-on features and products that we have chosen to build and develop, those were indirect response to requests and conversations with our customers. And we ask them to force rank. They can't just ask for everything. It's like, okay, you got to force rank that's put in order. And things like having signature right within the tools, so they don't have to go get signature somewhere else and then put it in their CRM, it's just so laborsaving and such a kind of a homerun. We decided to do it that way. So it's really all about just allowing our small business customer to do this easily without having to sit down and take courses and become certified or something, just keeping it really simple.

In many cases, we allow them to do something multiple ways. If they'd like to do e-mail marketing, Thryv has e-mail marketing inside of it, but it also integrates with Mailchimp. That's what they want to do. I mean if they like Constant Contact, no sweat, just connect it, it works. So we're trying to make it as simple as possible and put a few barriers in front of them as possible. And well, our answer is, yes, yes, sure, that works, here's how you do it, as often as possible.

Ryan, I want to give you an opportunity if you want to expound any on my answer.

Ryan Cantor ***Thryv Holdings, Inc. - Chief Product Officer***

Thanks, Joe. Arjun, great question. And I would say that speed to market is what we're focusing on, and we're focusing on the UI experience for our users, that it is a homogeneous experience as you move from one part of the platform to the other. And we think that delivers really kind of compounding value to the user because they're not having to relearn new functionality as we launch it because it relates and it looks like a pattern they've become familiar with. Where we can partner, embed and include partnerships with other companies to accelerate our road map faster, we obviously continue to choose to do that as we think that is ultimately a key to success in the small business space that most small businesses don't care how the technology works. They just care that it does, and it does what they want it to do. And so we continue to work smarter, not harder, and ultimately just deliver -- focusing on delivering value to our users as fast as possible.

Arjun Rohit Bhatia ***William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst***

Awesome. That's very helpful. And to maybe circle back on Marketing Center. When you think about the go-to-market motion, maybe not what you've seen in the last month, 2 months, but as you go forward and you think about where the adoption comes from and you look within your installed base, do you see this as somewhat of a targeted strike, right? There's a group of customers that fit the bill that would adopt Marketing Center? Or is this something that you plan to take to all your SaaS customers because there's a broader opportunity for adoption there. What are the thoughts on that strategy for the next year or so?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Ryan, I'll start that answer, and then if you want to emphasize, you can. I would remind you, Arjun, that if you lookback at 2022, we have a $1 billion Marketing Services business. It's a pretty big base of people that are trying to advertise and promote and get more customers. So we've got a really big universe of people that we can go and talk to about Marketing Center. It really is right down Broadway for us. And if I'm really honest with you, it's a little easier to sell, help you grow your business than it is a full business process change where you've got to install a CRM at the heart of it and begin to live in our inbox. I mean that's kind of a higher order sale. It's harder. So we're actually moving down into an easier area. And as I mentioned, we're taking baby steps like initially just marketing to existing SaaS

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customers, but that won't be forever. We do plan to go into the broader zoo eventually. We're just making sure everything is perfect, and we have all the momentum first.

So Ryan, I'll let you amplify if you want to add anything there.

Ryan Cantor ***Thryv Holdings, Inc. - Chief Product Officer***

No, Joe, I think early stages, Arjun, as we focus on the existing Business Center user. We're really seeing 2 cohorts. We're seeing the already active user who is naturally willing to addon additional functionality and get more value out of the platform. Our teams operate very well when we give them a focusing area to go after. And so that's working out pretty well. But users inside the platform can also activate a 14-day trial inside the platform, which we're excited about. And we are starting to see some users who maybe were a little on the lower end of engagement. But really being able to track and measure the effectiveness of their marketing is now a catalyst for using the platform more. Sometimes small businesses need a little bit of a push on well, why should I use an online CRM or why should I track my online payments? And if one of those reasons are, it can deliver you an understanding of which marketing works and which marketing doesn't, that could be a catalyst to drive future engagement in our CRM product. So we're seeing a little bit of both happening at the same time.

Arjun Rohit Bhatia ***William Blair & Company L.L.C., Research Division - Co-Group Head of the Technology, Media, and Communications Sector & Analyst***

Great. That's helpful. And one last just housekeeping item for Paul. The goodwill impairment that you mentioned, Paul, is that related to like a legacy acquisition, YP? Or is there something more recent that that's -- that that impairment is related to?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Yes, that's what it relates to. We came on the books in 2016 with the restructuring and plus and the YP acquisition in 2017. Actually, it's not too bad. We extracted during that time $1.6 billion in cash from the business. So given where we are, I think we're doing pretty well. And it's a declining business from time to time, this could happen in the future. What you don't see, though, is interesting is accounting rules are going to let you write-down assets, not write up. And the valuation on the SaaS business in international was actually a lot higher than the carrying in value. So that's the deal. All right.

Operator

(Operator Instructions) And we will take our next question from Rob Oliver with Baird.

Robert Cooney Oliver ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

First one is for Joe. Joe, just curious there hasn't been a question yet on the macro. It seems the economy, at least in the U.S., has been fairly resilient and certainly, your SaaS numbers for Q4 metrics are quite strong. A bit of a decel here in the guidance reflects that. So I just wanted to get your sense of what's contemplated in the guidance and how you view the macro having been through a bunch of cycles here before? And then I had a quick follow-up for Ryan.

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Okay. Yes. Our company has been in business for 137 years. And so there have been a lot of cycles that the business has been through and the customer base has been through, and the macro is really good for us right now. I mean our SMB customer has weathered pandemics, a supply chain crunch where they couldn't get the supplies. They've weathered staffing issue where they couldn't find anybody to hire. And all of that is better now. Pandemic is better now, the supply chain has eased or easing and they can hire again.

So these are the best times compared to what they've been going through for the last 3 years or so, so modest. And remember, our customers, on average, have been with us about 15 years. So these are very mature kind of icons in their community, more successful businesses. We really don't trade in the new start-ups. Our ICP are more established businesses. And so that group has done really well. And the consumer, as I think you mentioned in your question is good and it's continuing to do that little concrete job out back or reroof their house or whatever they need to do. So our mostly service-based type businesses are continuing to be really busy and continuing to do well. And that's part of why you see our growth and results very, very strong. And we're actually a couple of months into the year already. And engagement in the software is higher than ever right now and sales and momentum continue very strong right now.

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In terms of -- your mention of our guidance implying a decel, we guided the same last year, with the same guidance we gave you last year. We tend to be under promised, over-deliver kind of guy. We've been around a longtime. We're very conservative. We're proud of the fact that we've beaten rates every quarter since we came out. We're not going to get over our skis. That's not who you're dealing with. We're being told that there's a great gathering storm out there. So we're -- we put a little bit of a conservative guide in, just as we did last year. And we continue to have very strong momentum. And we've now got more than one center clicking as we go through this year.

And I mentioned in my prepared remarks, Australia is now hitting full stride. And Canada is coming up really nicely. And we hired an international president. So you can imagine we're planning to add more countries. It's not hard to figure out. So I feel very comfortable with the guidance that we gave. It's probably conservative, I'm honest. But we tend to be guys that want to fully deliver, overdeliver. And we're just not going to get out of our skis. So no issues in the macro at all. Our guys are doing great, and we don't see any signs of trouble, which is not to say that it couldn't come. I mean, I read the same stuff you guys do.

But honestly, I just want to say one more thing here. I have heard some of the enterprise SaaS companies talking about decisions being delayed and C-suite, getting involved and this and that and the other. You will understand, our customers don't have a C-suite. We're dealing with the decision-maker and they're chugging along just fine. And really, nothing has changed for them. And it has to get a whole lot worse for it to begin to really affect the way they think about modernizing their business. This is a trend that you can't put back in the bottle. Small businesses are moving to the cloud, and they're moving in an ever faster rate to the cloud. This is a big trend that we're riding. And I think it's stronger than a little economic cross winds.

Robert Cooney Oliver ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

And then, Ryan, there's been a bunch of product questions already. But when I look at the platform today versus when some years back when it first started doing work on you guys, I mean it's been a tremendous evolution, the functionality. You guys mentioned Chat, e-sign, obviously, Marketing Center, best of its invoices, calendar integrations. When you look at kind of what's on your agenda over the next 12 to 24 months, I know you don't probably want to give away all the goods in terms of new features. But what are the priorities for you? I know you mentioned kind of UI. You guys have also done a lot of working verticals. So kind of what constitutes success in terms of continued platform expansion for you over the next year or 2?

Ryan Cantor ***Thryv Holdings, Inc. - Chief Product Officer***

Thanks, Rob. I think as we look forward without giving away all the goodies, we've obviously announced a multicenter approach. We now are excited that we have 2. And obviously, we're continuing and focusing on that effort as well to solve additional pain points and problems that users have, right, creating easier onboarding. I mean, Joe alluded to a CRM is business process change. And so we're always really, really focusing on how can we meet small businesses a little closer to where they are before they come to Thryv today. And we think we can lessen that gap, we're reducing the friction to really be able to adopt the platform and then grow with us inside. So that's a really, really big focus.

I think as we add centers, as we add these apps, our focus on UI is to ensure that, again, it remains simple, easy, effortless. Joe's analogy to an iPhone is simply perfect. It just works, it's homogeneous. You don't have to learn new things when the iPhone has improved, it just is intuitive and it's natural. And so we're putting a lot of effort in there because that's always the risk as you add additional functionality that it can bog down the platform. And so we're being very, very careful and methodical about how we do that.

And then to your last question about vertical, you're really seeing now a transformation of the platform into this combination of centers and apps, right? ThryvPay is an app. Signatures is now an app and then you have these centers. And we think that the appropriate way that we're thinking about verticalization is really on the CRM side, the CRM is verticalized. But there are, of course, functionality and features that certain verticals would like to see. And being able to do those in a more modular app like way would allow the vertical who want it to adopt it without turning away or turning off verticals who don't. We don't want to give them any reason to think that the platform isn't built for them. And so that's really our direction is really to kind of complete that transformation this year into the center kind of app strategy and really focus on the usability.

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Operator

We'll take our next question from Daniel Moore with CJS Securities.

Ross Kesselman

This is Ross Kesselman, standing in for Dan. Would you mind talking a little bit about how your SMB customers are faring in this economic environment where customers are pulling back a little bit on discretionary purchases? I know that you just kind of touched on it how you guys are directly in touch with the decisionmakers. But could you say maybe about how you're approaching your customers decision making process? And if there's -- how you're approaching these difficult economic headwinds and if you think there could be any kind of negative impact on our SaaS business despite you guys are projecting strong growth?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Thanks for the question. Yes, I appreciate where you're going with that, just trying to parse it a little bit more. I think in your question is the answer. You used the word discretionary. And there's very little discretionary in the clients that we serve at Thryv. It's a dentist where you cracked your tooth and you got to go in and have a cap or have a root canal or whatever, have something done. It's the air-conditioning doesn't work in your house and it's hot as hell and you got to get it fixed. It's a deer ran out, ran inside your car when you were driving down the back road and you get the gigantic pet inside your car. I mean that's our customer base.

It's the service-based businesses that care for your home, your body, your car, your family, your life. We really are not selling high-end dining or fancy travel or it's just not -- there's not a lot of discretionary in what our guys do. They're really working with making life keep going. I sometimes say it's the nasty things in life that our guys do. They do the nasty things in life. And accordingly, those things don't stop. And if you roof leaks, you get it fixed. You don't just sit there with a bucket under it. And having said all that, I just want to underscore, we're finding that the consumer is fine.

Our customers have jobs, they have backlogs of job. They have a lot going on. And this environment is incredibly good. The pandemic is quieter, they are able to get supplies now, you can get a 2x4, you can order supplies and get them much better than you could a couple of years ago. It's not all better, but it's much better than it was. Still takes 11 months to get a sub-zero refrigerator. But you can still get things better now and people are kind of accustomed to it. And they can hire again. The ability to hire their staff has improved quite a bit from where it was last spring or last summer. So that environment is pretty good.

In terms of your question peering ahead and saying, well, what if things get bad? I was going to refer you back to the same question. Our guys are the most established business in their markets. So if there's 12 carpet cleaners in your county, we have the top 6 or 7, the most successful, the guys that have been there for a while. We don't typically have the new starts. They aren't -- they didn't go buy Yellow Pages. They didn't jump into our customer base usually. We don't have a lot of efforts to try to get the new start business. We're pretty much focused on the more mature ones.

And you might say, why is that? It's churn. Churn is a nightmare. I mean, you have all the same cost to sell a new start that you do to sell a mature business, but less likelihood that it's going to be around. So we really have focused on the established business as our base. And that's I think borne out when you look at our super low churn. We have that because of this really established base. So we don't see a big calamity coming, but we read all the same headlines you do about monetary supply being tightened at some point, it's going to kick in and all that. So we're cautiously and guardedly watching all that. But sales right up through yesterday, yesterday was a kick-ass day for Thryv sales, Marketing Center sales, everything was really strong right through yesterday. I can't tell you about today. It's just getting started.

Ross Kesselman

All right. That sounds great. And a quick follow-up. Could you talk about -- a little bit about the progress you're making with the Marketing Center. When should we expect to see a more meaningful inflection in growth as a result?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

I think you'll see it build steadily. And I think you'll start to really meaningfully see it reflected in the numbers in the second half this year. Remember, when we sell them, it takes a couple of minutes to get it setup and get it going. And the numbers that we're selling right now

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aren't so big to move the needle. But I would say in the second half of the year this year, you'll start to see Marketing Center revenues really starting to contribute. And I think maybe one of the places you'll start to see it lifting is our net dollar retention. That -- we are very, very strong in terms of renewal and logo renewal and holding on to people. But as Ryan detailed in his prepared remarks, we're beginning to offer a nice venue of additional things that customers can buy, whether it's signatures or TeamChat or the big one being Marketing Center. And these additional purchases by existing customers -- he also mentioned there's actually in-app upgrade capability, which is another express path.

I think in the second half, you'll start to see -- so let me just back up one sentence. I mentioned in our long-term guidance that you should expect us to get to 100% net dollar retention. And these new products that we've been building for a while now that are now released and coming into the market, are part of why I felt that way and part of why I believe that we would be able to do that. So I would expect in the second half of this year, you will see them start to come through, and I'll ask you to kind of keep an eye on net dollar retention and the progress. I think we'll make toward our goal of 100%.

Operator

And we'll take our last question from Zach Cummins with B. Riley Securities.

Zachary Cummins ***B. Riley Securities, Inc., Research Division - Analyst***

Just diving in a little bit more on that, Joe. As we're thinking about the rollout of Marketing Center this year, are you still thinking of the SaaS growth drivers as kind of a balanced contribution between new customer adds and ARPU expansion? Or could we see that fluctuate a little bit this year?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

No. I think we're still striving for that balance. And I expect good solid subscriber growth. I mean we are entering new countries. We are entering new segments. There's a lot going on here that should be able to drive that. But if you go back and you think about the Investor Day kind of long-range guidance, we told you that we thought that we would be able to grow ARPU up into the $7,000 range over the next few years. And part of why we believe that is we felt that we could serve more needs in slightly bigger businesses as time goes by. And that's exactly what we see happening. And so it might be that ARPU starts to outrate subscribers where it's not perfectly balanced. But I'm not guiding you that subscriber growth is going to stop or slowdown or that we don't see any more of it. It's just that we've got a lot of juicy ARPU drivers here now. So it might pull ahead again a little bit on it. But we are striving for balance. And it would be a high-class problem if we have a big jump in ARPU, but we are striving for balance.

Zachary Cummins ***B. Riley Securities, Inc., Research Division - Analyst***

Understood. That's helpful. And a final question for me. And Joe, I know you've made a couple of references to it in your comments. But can you just talk about some of the progress you've made on the international side. It seems like Australia is really coming right now, Canada is starting to ramp up pretty quickly. Just any insight into existing countries and how you're thinking about expansion over time?

Joseph A. Walsh ***Thryv Holdings, Inc. - Chairman & CEO***

Thank you. It's a great question. So you'll remember, last spring, we hired an international leader, Marie Caron. And she's come in and done a wonderful job of integrating herself into the business, learning, getting to know the company and the team and the people. We have a lot of confidence in Marie. And she's not resting on laurels. She's working away with plans for us to enter, build more countries. So just quickly answering your question specifically, the entry model that we used for Australia was we bought a big established mature Marketing Services business, which allowed us to vault quickly into kind of pole position into a first-mover advantage type situation in Australia.

And you can see it when you look at our monthly sales, the U.S. is broken into regions. And Australia is obviously a much smaller country than the U.S. But Australia as a region, often is beating the U.S. region. It's like -- it's really coming along nicely. And we have a terrific leader there, and a terrific sales organization that are bought in and excited about what we're doing. And we started really carefully in the beginning and made sure that we had carefully selected ideal clients that we got them stood up correctly and that things were working. And we've had very low churn. We've had super high engagement. So we're getting a lot of referrals already from the still relatively small installed base. So the zoo is cranking and now the referrals are cranking. We're not doing a lot of inbound marketing

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there. We're just pretty much working within the zoo, but it's going really, really well. And so I expect that revenue to grow quite quickly out of Australia and out of the international segment more generally.

Canada, we did not make any acquisition. We went in and established a partnership with another reseller. We went in online, and then we have established our own direct sales team there. And they are traded up in the market selling and experiencing very good reception. The Canadian market is not quite as advanced as the U.S. market in terms of software options. So there's a lot of excitement and interest about what we're sharing. And so we're leaning into it. And as we -- as Paul mentioned earlier, about being efficient and all that, we don't want to throw too much money at growing Canada too fast because we didn't make any kind of acquisition or initial investments. So we're growing it in an efficient way. And there are plans to enter more countries, and I'm not prepared to announce anything today. But if one were to think about our plan to get to $1 billion, our plan to get to $4 billion over time, we don't plan to do all of that in just the U.S. and Australia. We plan to continue to enter new markets, and we plan to continue to roll out new centers. And that gives us a lot more surface area over which to grow, a lot more growth -- kind of growth vectors to get there.

Operator

And ladies and gentlemen, this concludes today's conference call, and we thank you for your participation. You may now disconnect.

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