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Q1 2024 Thryv Holdings Inc Earnings Call

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PRESENTATION

Operator

Good morning. My name is Jody, and I will be your conference operator today. At this time, I would like to welcome everyone to the Thryv Holdings first quarter 2024 earnings call. (Operator Instructions) I would now like to turn the call over to Cameron Lessard. Please go ahead.

Cameron Lessard ***Thryv Holdings Inc - Head of IR***

Thank you, operator. Hello and good day to everyone. Welcome. This drives First Quarter 2024 earnings conference call. On the call today are Joe Walsh, Chairman and Chief Executive Officer; and Paul Rouse, Chief Financial Officer. A copy of our earnings press release and investor presentation can be found on our website at DR.com on the Investors section at investor dot Thrive.com.

Please acknowledge comments made on today's call and 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 THRIVE has no obligation to update the information presented on the conference call today.

Before we get started, I wanted to provide an update on segment reporting. Historically, we provided additional detail for the US and international markets within each of our reporting segments, we're now transitioning to a two segment reporting structure, SaaS and marketing services encompassing our global operations. It's important to note that this change only impacts how we report adjusted gross margin and adjusted EBITDA for historical segments that will not impact how we report revenue under the disaggregation of revenue section in our quarterly filings, we are streamlining our approach to offer a unified perspective, which we believe will better reflect our business model and enhanced clarity in understanding our business and facilitate more efficient modeling.

I will now turn the call over to Chairman and CEO, Joe Walsh.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Good morning, Cameron, and thank you all for joining us on the call today to discuss our first quarter results for the first quarter. We delivered strong subscriber growth, ending the quarter with 70,000 clients. The year got off to a good start. We've got strong momentum across our SaaS business, it will be raising guidance for the year. I'm excited to share some great news about our center strategy. We're seeing significant traction over 8% of our clients now have two or more pain centers up from practically zero this time last year. So we're really making some good progress there and selling additional centers to our customers. It's a really good indicator of the value proposition we're delivering and how sticky these products are.

Another interesting stat that we've been looking at is our seasoned RPO as customers have been with us for over a year. We're seeing really strong growth for them year over year in the mid 10s. And again, I think this shows loyalty and the fact that people are engaging with and using the platform.

I'd like to talk a little bit about our refinancing. We recently completed a refinancing, which is going to make up big difference for us it's redoing our term loan and our ABL, it significantly extends our debt maturity. This provides us with financial flexibility and the runway we

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need to invest in growth in this business Second, it offers us flexibility. This thought flexibility allows us to strategically invest and our growing and profitable SaaS business, which is really the engine that's driving our success.

Importantly, the financing is underwritten with a strong focus on the strength of our SaaS operations as opposed to being so much focused on marketing services. This is really a testament to the confidence lenders have and drives future.

Equally important, this new structure moves away from a legacy 100% cash flow sweep and it frees up capital that we can invest in future revenue growth.

Finally, this financing allows us to pursue shareholder initiatives as evidenced when we announced a share repurchase authorization earlier today alongside our earnings release, while debt reduction remains our core priority this share repurchase program provides an additional tool to enhance shareholder value alongside our ongoing debt repayment efforts.

With that, I'm going to turn the call over to our CFO, Paul Rouse, to take you through the numbers.

Paul?

Paul Rouse ***Thryv Holdings Inc - Chief Financial Officer, Executive Vice President, Treasurer***

Thanks, Joe.

For right. Let's dive into our results. Beginning with SaaS. Saas revenue was $74.3 million in the first quarter and within our guidance range, representing an increase of 24% year over year and slightly up sequentially. Adjusted gross margin increased 420 basis points year-over-year but decreased 130 basis points quarter over quarter to 68.4%.

Adjusted gross margin declined sequentially, primarily due to the introductory product offerings featuring promotional pricing strategies surrounding marketing center at the beginning of the year. This seasonal trend is typical as the business experiences fluctuations between December and January due to the holiday effects. It's important to emphasize that the decline in margin is not indicative of a permanent strategy to lower prices as a tool to attract customers during the seasonally slow periods of the year. In fact, adjusted gross margin rebounded significantly in March to Q4 levels.

Looking ahead, we anticipate exiting the year with an adjusted gross margin exceeding 70%, driven by our focus on growing our client base with new centers and increasing spending with our existing customers. Furthermore, and as Joe mentioned, our company has a proven track record of driving more spend with existing customers after one year, which reinforces our confidence in achieving our margin targets. First quarter SaaS adjusted EBITDA was $3.4 million, resulting in a SaaS adjusted EBITDA margin of 4.6% right now, I'm going to unpack the shortfall in EBITDA.

At the onset of the year, we initiated plans to trim expenses and enhance productivity across the various fronts. While we're delighted to report that we've uncovered more savings than initially anticipated, leading to an upward revision in our SaaS EBITDA guidance for the full year. Let me explain the timing impact on first quarter in more detail, the restructuring of our company-wide sales commission plan aimed at incentivizing multi center sales, crucial to our profitable growth, accelerated the recognition of commissions that would have otherwise been deferred under the previous plan. Consequently, SaaS expenses saw a rise of over $2 million in commissions in the first quarter. Again, this was a timing factor that will normalize and benefit us in the future.

Secondly, elevated G&A costs weighed on SaaS EBITDA margins amounting to just under $1 million. These costs related to deferring cost reductions from Q1 to Q2 onward as we finalize our plans, which will ultimately yield greater savings than initially anticipated for the rest of the year. Once again, we firmly believe that these timing events are now behind us, which is why we are raising both SaaS revenue and EBITDA guidance for the full year, SaaS subscribers were approximately 70,000 at the end of the first quarter compared to 66,000 at the end of the fourth quarter, an increase of 30% year over year and 6% sequentially. Saas ARPU was relatively flat at $369. First quarter seasoned net dollar retention was 94%, an increase of 300 basis points year over year.

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Moving over to marketing services, first quarter revenue was $159.3 million and above guidance, first quarter Marketing Services adjusted EBITDA was $50.7 million, resulting in an adjusted EBITDA margin of 32%. First quarter marketing services billings was $136.8 million, representing a decline of 24% year over year.

First quarter consolidated adjusted gross margins was 68%. First-quarter consolidated adjusted EBITDA was $54.1 million, representing an adjusted EBITDA margin of 23%. And finally, our net debt position was $341 million at the end of the first quarter.

Our leverage ratio was 1.9 times net debt to EBITDA, which is well below our covenant of three times. As Joe mentioned earlier, we are pleased to have successfully completed the refinancing of our outstanding term loan, resulting in a reduction of the interest rate by 175 basis points with the proceeds we refinance both our outstanding term loan and ABL facility, both of which were maturing in 2026.

Additionally, we capitalized on the opportunity to swap out our ABL facility for added flexibility at a lower interest rate. The new debt arrangement extends the maturity to 2029 and incorporates amortization that steps down. Furthermore, it features a smaller excess cash flow sweep, bolstering the company's liquidity. The new credit agreement provides the Company with essential flexibility to continue investing in and growing our business as well as to strategically allocate capital to maximize long-term value for shareholders.

Now let's discuss guidance for the second quarter. For the second quarter, we expect SaaS revenue in the range of $77.5 million to $79.5 million. And we are increasing our full year guidance range to $326 million to $329 million. For the second quarter, we expect SaaS adjusted EBITDA in the range of $6.5 million, to $7.5 million, and we are increasing our full year guidance range to $28 million to $30 million, which implies SaaS adjusted EBITDA margin of 9%.

For the second quarter, we expect marketing services revenue in the range of $141 million to $144 million. And for the full year, the range is adjusted to $487 million to $494 million for the full year. We expect Marketing Services adjusted EBITDA to be in the range of $130 million to $133 million. Please keep in mind that the print schedule and print directories published dates can adjust and impact marketing services, reported revenue and EBITDA. As a helpful guide, you can model EBITDA margins around 30% in the first half of the year and mid teens in the second half of the year.

I'll now turn the call back over to Joe.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Thank you, Paul. When you think about drive thrive as a category leader in a big megatrend, small businesses are following big ones into the cloud. They're doing it to save time they're doing it to save money. They're doing it to deliver a better experience for their customers. And for us, it's delivering strong, sustained growth as that mega trend unfolds. And we're really excited about what we're seeing in demand picking up the way it is.

I think it's also interesting to think about what's happening with our platform strategy more and more centers being bought by customers. And that trend we believe will really drive our future as we build out our platform. We're very excited about our new Chief Product Officer, Rick Johnson, joining our company. Bruce has a very strong background in SaaS, having worked for some some big, well-known companies and here's the type of talent that can help us take our platform to a whole nother level. So welcome, Reza. We're really excited about what that means in terms of us continue to develop our software platform. When you think about what's happening in our company.

There is a legacy gigantic, really legacy melting iceberg, our marketing services business. And increasingly, as we build our products like marketing center, we're finding more and more traction penetrating that base and we're accelerating that penetration into that base. We think this is really good news for the development of our SaaS business and looking forward to really what's going to unfold in the year ahead.

With that, operator, like to open the line up for questions.

QUESTIONS AND ANSWERS

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Operator

(Operator Instructions) Arjun Bhatia, William Blair.

Arjun Bhatia ***William Blair & Company L.L.C. - Analyst***

Thank you, guys, and congrats on the nice results here. And Joe, maybe to just continue on that last point. I know last quarter you had announced this kind of accelerated shift from marketing services to SaaS. And can you maybe just give us a sense of how the marketing services, the legacy customers are receiving that, and it's in a relatively it's relatively early still, but give us a sense of what kind of traction you're getting there and is that something that is driving the accelerated growth that we're seeing in SaaS clients? And the number was really strong today, but would love to hear some more color on that Thank you.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Thank you, Arjun. Yeah, 30% sub growth we think is pretty strong. And yes, it certainly was aided by going deeper into the zoo. I've mentioned on previous calls, that with marketing center, it's much closer leaf to the reason that people bought our various marketing services products in the past to get more leads to make their phone rang to get more inquiries coming in. And so that is not as big a jump as you're transforming your business operations and putting a CRM and really changing the way it was.

So in many ways, it's a shorter lead and an easier sale. It's closer to what they were looking for. And so we're continuing to have really strong success selling into that base and as I mentioned, we're also seeing really strong tenant uptake that's picking up. People are really buying into the concept of buying the platform and not just one of the solutions but buying them broader platform. So we expect that to continue margin and as part of our bullishness on the overall results for the year.

Arjun Bhatia ***William Blair & Company L.L.C. - Analyst***

Okay, understood. And then I know the obviously, the debt refinancing is an important step here. When you think broadly about your capital allocation strategy, how does this impacted? I know you announced the buyback, but maybe what are your thoughts on M&A going forward, if you have a little bit more capital flexibility? And where might you think about increasing investment in M&A in the SaaS business?

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Well, as we've discussed before, we have an active corporate dev effort looking at and talking to us as entrepreneurs about how they might fit in to the drive picture and the challenge in the past has been twofold. One is our our own very, very low valuation, makes acquiring a SaaS business of any size dilutive. So it sort of makes us think about having to do small because they're typically valued as SaaS businesses. And we're not we're valued like a phone book business. And so that makes it challenging. It doesn't mean we can't do it we're pretty skillful. Acquirers were good at integrating and we have a big salesforce and a lot of ability to magnify somebody else's results. So we're very much out there.

Looking at that working on that second constraint, as you touched on, was our prior credit facility was essentially sweeping all of our cash. So we were operating almost in a straitjacket. We really didn't have any in any meaningful flexibility. And I know that you're aware this business throws off. I think the technical alternative metrics ship ton of cash. It generates a ton of cash. And we now have some flexibility in using that cash. And so whether we use that cash to acquire SaaS businesses to build out verticals and accelerate our growth, whether we use a lot of it to be a buyback share on that or whether we do what we've been doing, which is paying down the debt. And I know you've watched carefully over the last couple of years as we've dramatically reduced debt by paying it down aggressively.

So any one of those I think, is really good for shareholders and we're looking at all of them wind up on where you started. There are definitely some interesting stat targets, and I think you might see more of that type of activity in the future.

Now that we've got a little bit more flexibility, Arjun.

Arjun Bhatia ***William Blair & Company L.L.C. - Analyst***

Perfect. Very helpful. Thank you.

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Operator

(Operator Instructions) Scott Berg, Needham.

Scott Berg ***Needham & Company, LLC - Analyst***

Congrats on the next quarter results here.

Joe, following up on the 8% of your SaaS customers with multiple centers today, are you seeing any sort of patterns emerge in terms of kind of old customers buying a specific center first and then adopting a specific second one or maybe changing and how you'll land a little bit still not getting color on exactly kind of what those 8% are kind of buying?

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

It's definitely evolving. It was obviously visit center first, and then you go back and you tried to add marketing center now we're seeing one of the most interesting patterns emerging as customers buying the whole thing right away, find folks that are and it's not huge numbers yet, but the sales force is excited about it because it had a more than a handful, a big number of days of the kind of double sale.

And that bodes really well, I think, for the future the other thing we're seeing is where they buy marketing center first, he can get up and onboard onto that and then want to continue on the journey and want to buy business center, and that's particularly heartening. If the Business Center is a bigger onboarding, there's there's more acquired I view as a as a business and Business Center. You've got to engage more you have to do more.

You have to actually change the way you roll on, whereas, you know, marketing center delivers a lot of passive value once you're set up on you don't necessarily have a login all the time in order for it to be helping you. And so those are some of the patterns we're seeing know, it's relatively early days but really excited about your thinking where it will be, let's say, a year from now, we've gone in one year from negligible percentage of customers buying to center to now 8% at the end of this quarter and it's surging upward. And we think that that does a lot to help with our long-range journey, which we said we thought we could go from kind of [4,000] a year for customer to [7,000] per year per customer.

We can fill more of their needs and do more for them. We believe that this supports that. We also said that we felt like our net dollar retention would be able to reach 100% over time. And we think the ability to sell multiple centers into these customers will really support that and really drive that. And when we look at our cost of acquisition relative to our lifetime value as these customers are growing and prospering and doing well with the software and buying more centers. It has a really favorable influence on our lifetime value and it makes the math of our whole business work better So it's pretty exciting things. It's kind of a not a little trend. It's a big deal.

Scott Berg ***Needham & Company, LLC - Analyst***

So very helpful. Thanks for the additional color there. And then how should we think about the decay in the US in pardon me in the marketing services business going forward. Obviously you just answered the question that we all know you're pressing into that base a little bit to hopefully purchase and migrate over to some of the SaaS solutions. But I didn't see you reduced the full year revenue model to best segment. Wanted to help unpack is that really more a function of how you're pressing on these customers to trying to move to your SaaS solutions? Or is there another macro element right now that might be given some weakness that business because we are seeing some SMB pressures out there today?

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

That's a great question. Yes, we certainly read the same headlines you do, and we do hear from, you know, whining out there in the market about it, low real estate transactions, whatever that sort of thing. But our small businesses are there sort of bump. I think I've told you before they kind of do the math. We think they do. All that stuff is broken. You called out very correctly to the call, looked at it and we get the voice via WiFi call your lawyer, your car won't start because your mechanic.

These are these are our guys the stickiness of our customers. You know, they're finishing doesn't work and your family toss the call, the AC guy, that's those are our customers and they tend to be very resilient and just chug on group and they tend to be the more mature businesses in the market. We have not been big sellers of the new start business. We are at a price point in our software products cut in

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200 a month and go quickly up from there.

And there's plenty of three and really achieve tools available online that if you if you have a tiny, tiny start-up dish, go use those graduate to something like Thrive later, we're more of a premium brand in the market that people look to grow up to eventually to come to a price. So anyway, in terms of in terms of macro, our guys are doing fine on their chugging along. They always complain. But as you can see, they're spending they're buying.

Back to your question now about what do I what do I see in terms of the the melting iceberg would make no question, make no mistake about it. We are definitely going and sort of purposely speeding up the transition in an ideal world. You know, we want to be a SaaS business and we don't see the marketing services business forever in our future. We see us winding that down. So we're working it hard on and out calling on customers, offering them interesting propositions to come into the SaaS world. And they're listening and we're having we're having good traction with that.

So I think I've mentioned before that I think when you started covering us, we were like 12% SaaS revenue will be 40% this year. We're nearly there now on and we'll pass 50% next year. It will be a majority fast revenue business next year. So part of that is just the success we're having hunting in the zoo.

Scott Berg ***Needham & Company, LLC - Analyst***

But a good business transition, no doubt looking forward to seeing it 50% next year.

Got it.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Thank you very much.

Operator

(Operator Instructions) Zach Cummins, B. Riley Securities.

Zach Cummins ***B. Riley Securities, Inc. - Analyst***

Hi, good morning.

Thanks for taking my questions. Joe. I really wanted to lean into the multicenter adoption side of it with the changes that you've made to your sales commission structure. Can you talk about how just the overall go-to-market strategy has evolved? And could we see potential acceleration in that multicenter strategy adoption as we can do progress throughout this year?

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Yes, it's a great question because it really that's kind of the rudder that drives the ship in some way, and we have gradually increased the incentive to sell software and gradually certain decrease the part of your comp that comes from selling the legacy products each year. Obviously, it's been a gradual transition. We couldn't just flick a switch because there were less of the sales force sort of, you know, up in the air and we love our sales force. We take good care of our sales force there like the most important guys here.

So we really kind of run our company through the sales reps' windshield. So yes, this year as we we rather spend going into 2024, we felt it was time for the next logical step in moving that rudder of compensation and we moved it quite a bit. So we put a lot of focus on selling multi centers. And it's just been now three months or so since we've done that, but the results have been dramatic. They are doing it.

They were ready to do it anyway, they were wanting to do it anyway and now the pay really lines up for that. And so they're very focused on it and having a lot of success and so when I when I model the business, when I think about what how this plays out the rest of this year and going into next year, I think that that this time last year it was less than 1% had more than one center.

At the end of this last quarter it was 8%. I see that jumping in leaps and bounds each quarter moving forward with the attendant benefit

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on RPU. and DR. and all the other bits that come with it. And as you're aware, our strategy is tried to build and rollout and New Century here until we get our full platform built out and we're on track to do that. We now we now have Rick Johnson is amazing into kind of play his Golden hands on and help take it to even another level.

So I think a big part of the first leg of this journey was that getting that 70,000 subs getting a bunch of happy engaged customers using software that's really hard to do. I just can't tell you how hard it is to do that with that base. Now though, we've got a happy group of growing customers and you obviously we're adding more to it. We'll keep adding more to it, but we can now sell into that base to center three centers, four centers and really be their software provider and build that out. That will provide a tremendous amount of growth. And while we will keep adding new sub. It won't be just relying on adding stuff like it was when we had a single center. So yes, multi centers is at the core of this.

And I said for an analog, I think you can look at HubSpot and what they've done on HubSpot is growing at a certain rate when they had one hub, they've gone a little faster when they had two hubs. But as they build out the full platform, sorry, to get synergy between all the hub, you saw the growth accelerate there. Obviously worked above us in the market where a HubSpot customer, their ICP. is about 2000 employees. But where we're at, we're sitting beneath them doing a very similar thing and we admire what they've done.

Zach Cummins ***B. Riley Securities, Inc. - Analyst***

And I said, thanks for that. And Joe, you kind of touched on a little bit, but can you speak to the new technology leadership? I mean, with Rich Johnson coming on board. Any meaningful changes to how you're thinking about your center strategy or any tweaks to potential rollout plans? Look with new leadership in place?

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

I don't have anything to report on now, obviously, we've brought in a world-class executive to come out of the McAfee Symantec fourth point, some of these really incredible the big brands, and he's really quite an accomplished guy of unreal. I'm real proud of the fact that someone of his level would want to join somebody like us here at drive.

We probably couldn't attract, have attracted somebody like this two or three or four years ago, but he sees the scale that we're at how big and how successful the Company has and candidly are undervalued and she looks at it, they say, wow, I want to be part of that. So he's looking at that. And you looked at our software has been under the hood, kick it around and come back and said, he's impressed with what we've got. Some like any new guy coming in has got new ideas, better ideas where it is going to take it to another level and it's early days. I don't have anything to report on that right at the moment.

Directionally, the idea of building out this big platform is still very much what we're doing and we're having a lot of success. So we're not going to change it right away, which I'm going to keep building on that momentum on essentials.

Zach Cummins ***B. Riley Securities, Inc. - Analyst***

Thanks for taking my questions and best of luck with the rest of quarter.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Thank you.

Operator

(Operator Instructions) Daniel Moore, CJS Securities.

Daniel Moore ***CJS Securities, Inc. - Analyst***

Thank you.

Good morning, gentlemen. Paul, I just wanted to go back to the well defined strategy of accelerating conversions from marketing services, marketing center. And as we look at billings in Q1 for marketing services down 24%. Is that a good proxy for continued declines? Would you expect that to accelerate? And just talk about your ability to maintain the line on margins as it does?

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Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Good question. We'll continue to really guide you guide because we know that the way revenue needs to be recognized at the time of publication unless you study our pub schedule and know which books are big and which books are small and all that you'd have no way to follow it. So we will keep really giving you really a prescriptive guidance so that you don't get caught offside on houses moving on. And as was mentioned earlier, and we've brought down the guidance a little bit for the year because we're having so much success working into that. And Paul, I don't know if you want to jump in and offer any thoughts on how they should think about it longer term or how how they should think about margin?

Paul Rouse ***Thryv Holdings Inc - Chief Financial Officer, Executive Vice President, Treasurer***

Yes, I think really it needs to be a paradigm shift in how we think about this. I think we should move away from thinking or margins in Marketing Services, then margins and cash flow and EBITDA from the full business because they're very high margins on the SaaS side. So you're going to see it, you know, as we raised our guidance and EBITDA on the SaaS side, you're going to see that go on continually.

So you're going to see a continued declines in marketing services and growth on the SaaS EBITDA growth and margins and consolidate is going to be pretty healthy to just focus on marketing services, I think loses the plot. So I think it's more important to look at the overall EBITDA from the entire company because we are aggressively moving it there and does anybody really care where the EBITDA comes from with it probably more important that it comes from the growth part of the business. So I think that's how I'm thinking about it.

And I would encourage that probably the approach that most should take.

Daniel Moore ***CJS Securities, Inc. - Analyst***

Makes perfect sense, Paul, I wouldn't I couldn't agree more, and it leads to my second question, which is now talking about your confidence there. We're approaching the trough for consolidated EBITDA in terms of the lines crossing? And when you think about the updated guide for fiscal '24, I mean, do you think you can hold that line or start to grow in '25 and beyond. Are there shifts in the publication schedule that could impact that again in '25? Just just I know I'm not looking for outward guidance, but just trying to understand where we are in relation to those lines crossing and the overall starting to grow?

Thanks.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Paul, you will take that?

Paul Rouse ***Thryv Holdings Inc - Chief Financial Officer, Executive Vice President, Treasurer***

Obviously, that's what we're trying to do. What if you use your finger on a good point, we really have to look at the pub schedule what's happening there because while cash flow would remain strong, there could be blips and how EBITDA is recorded because of the publication schedule. But we're getting closer and each year we get closer and closer to that. And we are focused like a laser beam in getting back to up to growth?

I think I just answered that way because we haven't really mapped out where, '25, '26 and real detail to put this put us a spike in the ground is tell you what we expect quite yet.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Yes, I thought I would do is I can build on that.

Look, sorry, and I'll just I'll just add a little bit to the answer there. I mean, one of the things that I realize it's challenging sometimes for people observing driver or investing or thinking of investing is our metrics are not always perfectly smooth like they don't always go perfectly up into the right part of that because we're transforming this giant business into what we're creating and it sometimes is lumpy and chunky and bounces around a little bit. And if you back up and look at the overall trend over a period of years, you've got a rapid transition.

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But within that some time, the metrics have bounced around a little bit whether it was one individual point or another. But I would just sort of ask people to take one step back and look at the Grand or picture. We've got small businesses moving into the cloud. They weren't before and now they're going and they're going into fast now and that trend is really accelerating. And we're the category leader in that trend playing it. And the transformation is happening and it's happening very quickly and our do it all small business software. It's very popular in the market. And I think that's what folks are investing in the future. Cash generation capabilities of the company are strong. So currently had a follow-up there.

Daniel Moore ***CJS Securities, Inc. - Analyst***

No that was it. I mean, clearly, the transition is accelerating in the right direction, trying to set the expectations bar appropriately.

Thank you again for the color.

Joe Walsh ***Thryv Holdings Inc - Chairman & CEO***

Thank you. I think that wraps up for us.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining, and you may now disconnect.

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