Q4 2024 Earnings Call *(Raw version)*

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Company: Thryv Holdings, Inc.
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Company Participants

Cameron Lessard - Head-Investor Relations
Joseph A. Walsh - Thryv Holdings, Inc., Chairman & Chief Executive Officer
Paul Rouse - Thryv Holdings, Inc., Chief Financial Officer, Executive Vice President & Treasurer
Unverified Participant

Other Participants

Jason Michael Kreyer - Analyst
Scott Berg - Analyst
Arjun Bhatia - Analyst
Daniel Moore - Analyst
Zach Cummins - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Thank you for standing by. My name is Jeanie, and I will be your conference operator today. At this time, I would like to welcome everyone to Thryv Fourth Quarter and Full Year 2024 Earnings Call. All ideas have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. Thank you.

I would now like to turn the call over to Cameron Lessard, Head of IR. Please go ahead.

Cameron Lessard

Good morning, and thank you for joining us for Thryv's fourth quarter earnings conference call. With me today are Joe Walsh, Chairman and Chief Executive Officer, Paul Rouse, Chief Financial Officer. During this call, we will make forward-looking statements that are subject to various risks and uncertainties. Actual results may differ materially from these statements. A discussion of these risks and uncertainties are included in our earnings release and the SEC filings.

Today's presentation will also include non-GAAP financial measures, which should be considered in addition to but not as a substitute for our results. Reconciliation of these measures can be found in our earnings release.

This quarter marks our first time reporting SaaS results inclusive of Keap Software following our acquisition on October 31, 2024. With only two months of Keap's revenue reflected, we are focused on executing our integration plan and realizing the synergies we outlined at Analyst Day. To note, for 2025, total SaaS revenue will reflect the combined performance of Thryv and Keap. We will only specify Thryv's SaaS when isolating Thryv's performance. This reporting approach aligns with our long-term vision of a unified SaaS platform and ensures investors have full visibility into our growth trajectory.

For a deeper insight into our future strategy, we encourage investors to review our December 3 Analyst Day materials. The presentation details our roadmap, including the planned exit from marketing services in 2028, Keap's role in accelerating SaaS adoption, expected synergies with the acquisition, product innovation and our updated medium term outlook.

With that, I'll turn the call over to Joe Walsh, Chairman and CEO. Joe?

Joseph A. Walsh

Thank you, Cameron, and good morning, everyone. On today's call, I will highlight our fourth quarter results, key trends, as well as progress in our SaaS transformation, and I'll provide an update on our recent Keap acquisition, and then our CFO, Paul Rouse, will take you through some of the financial numbers.

Thryv finished the year with strong momentum, beating the top and bottom line guidance for our SaaS business. For the quarter, total SaaS reported year over year revenue growth was 41% and, normalizing for the effect of the Keap acquisition, Thryv's SaaS revenue growth was 23%. For the full year 2024, Thryv SaaS year over year revenue growth was 25%.

Total SaaS revenue is now officially well over 50%, a milestone for our transformative business. Subscribers in our Thryv SaaS business grew 50% year over year to 99,000. Including Keap in the subscriber base takes us to 114,000. That adjusted gross margin increased to 76% for the fourth quarter.

Our quarterly SaaS EBITDA of $17 million beat guidance by over $5 million, continuing to demonstrate our focus on building a profitable, growing SaaS software company. SaaS obtained Rule of 40 milestone for the second quarter in a row. Net revenue retention was 98%. As we've said, our target is 100% and will be a couple of points, plus or minus that. Sometimes it'll be 101% or 102%, and sometimes it'll be 98% or 99%. But we'll be right around 100% is what we expect going forward.

The number of clients using two or more paid SaaS products increased by over 4,000 year over year, now representing 16% of our client base. This is a key metric as it demonstrates growing engagement and the increasing value clients are deriving from our platform. Now, we've broadened the definition beyond just paid centers, which is 12%, to include all paid SaaS products. This is underscoring the expanding adoption of our full suite of solutions. And I think it shows we've been innovating and coming up with some interesting additional SaaS add-ons that fill in and around.

So, the overall base increased tremendously. So, the percentage of center looks like 12%. But when we look at the number of SaaS products overall, 16% or 4,000 gained. So, we're pretty excited about what that shows in terms of the progress that we're making.

One of our core strengths as a management team is integrating acquisitions with speed and efficiency. This Keap acquisition is our first SaaS platform and something we've been working on for a while and planning for a while. So, it won't come to you as a surprise that we've already crystallized $10 million of EBITDA synergies. We've done that primarily by eliminating redundancies between the two businesses, vendor consolidations, and some plan for cost reductions.

From across our perspective, the big vendor consolidations and some plan for cost reductions. From a cross-sell perspective, the big long-term opportunity is the revenue cross-sell back and forth. And we're working hard getting that set up now. And we expect very strong revenue potential to be unlocked over the next couple of years as we cross-sell between the two customer bases.

We had some pretty exciting product updates in Q4 that I think strategically positioned us really well as we go into 2025. I'd like to highlight a couple of those for you now. Reporting center launched with a PLG motion, this positions us to unlock revenue expansion opportunities, and it increases the client satisfaction, particularly of our larger account. Some of our larger accounts will say to us, you know, we want more powerful reporting. And so we're including reporting center on a kind of PLG or a product-led growth basis, and we'll extract revenue down the road. But in the meantime, we've got an initiative to try to sell to a little bit bigger businesses to move ever so slightly upmarket with our DSP group and reporting center will really assist with that.

We also added AI review response to business center and marketing center. This feature has been really well received by clients and sales, paving the way for future innovations, leveraging AI. The addition of social media to marketing center added enhanced communication tools for our clients. That's been really well received also.

Within the key product, we've had some improvements there as well. Updated the automation builder, which decreased the time to publish an automation by two thirds, meaning it takes about a third of time now to get one set up. And so that was an opportunity there. And the key team had leverage that. Also the visual sales pipelines have been streamlined for clients. And so there's a real product improvement there that I think for clients. And so, there's a real product improvement there that I think customers and people really appreciate.

So, with that, I'd like to turn it over to Paul Rouse, our CFO, to discuss our financial performance.

Paul Rouse

Thanks, Joe. Let's begin with SaaS. Total SaaS reported revenue was $104.3 million in the fourth quarter and above guidance, representing an increase of 41% year-over-year and up 20% sequentially. Full-year SaaS reported revenue grew 30% year-over-year to $343.5 million. Excluding Keap, Thryv SaaS business grew 23% year-over-year in the fourth quarter and 25% year-over-year for the full year. Breaking this down, our Thryv SaaS revenue was $90.9 million in the quarter, landing within our guidance range and growing 23% year-over-year. The Keap acquisition contributed $13.4 million in revenue in November and December 2024, surpassing our guidance range of $11 million to $12 million. For the full year, our total SaaS revenue grew 30% to reach $343.5 million. Excluding Keap, our Thryv SaaS business achieved 25% year-over-year growth.

Our total SaaS adjusted gross margin has shown significant growth, increasing by 620 basis points year-over-year and 370 basis points sequentially, reaching 76%. Full-year total SaaS adjusted gross margin expanded to 72%, up from 67% last year, a 540-basis-point improvement. Importantly, our total SaaS adjusted gross profits grew 53% year-over-year, outpacing our strong revenue growth. In the fourth quarter, total SaaS adjusted EBITDA increased to $70.3 billion, significantly exceeding our guidance range and resulting in an adjusted EBITDA margin of 16.6%. As Joe mentioned earlier, this marks the second consecutive quarter in which our SaaS business has achieved Rule of 40. In the fourth quarter, we delivered strong SaaS subscriber growth reaching 140,000 subscribers, excluding key subscribers of 50,000. This represents a 73% year-over-year

increase. Total SaaS marketing for the fourth quarter was $324, including Keap. Thryv SaaS ARPU $313, an increase from the previous quarter, while Keap's ARPU was $424 for November and December.

Net revenue retention was 98%, demonstrates strong performance and is a significant improvement compared to prior years, underscoring the effectiveness of our land and expand strategy. This result is very close to our long-term goal of maintaining retention near 100%, which remains a key priority for the business. Additionally, centers per client grew to 12% at the end of the quarter, compared to 6% in the prior year, further highlighting the traction we're seeing with existing clients.

Moving over to marketing services. Fourth quarter revenue was $82.3 billion and within guidance. Full year marketing services revenue was $280.7 million. Fourth quarter marketing services adjusted EBITDA was $12.1 million, resulting in an adjusted EBITDA margin of 15%. Full year marketing services adjusted EBITDA was $121.2 million, resulting an adjusted EBITDA margin 25%. The variance in reporting marketing services adjusted EBITDA to guidance in the quarter was primarily due to legacy and operational costs, which the company plans to streamline in 2025 including system related expenses and support staff.

As indicated at our 2024 Analyst Day, we are committed to decommissioning legacy systems through 2025 and converting many legacy digital marketing services customers onto our SaaS factor. Despite this, our overall EBITDA for the quarter, was at the high end of our range of guidance. Fourth quarter marketing services, billings were $92 million, reflecting a 40% year-over-year decline.

This trend more closely aligned with our strategic direction from marketing services as we continue to convert many of our legacy marketing services clients to our SaaS offering. The pace of this transition impacts the rate of decline in marketing services billings. As previously disclosed, we are exiting the marketing services business by 2028 with cash flows from the business extending into 2030. This will provide the company with ample liquidity to meet its obligations during the transition to a fully fast focused model.

Fourth quarter consolidated adjusted gross margin was 69% and full year consolidated adjusted gross margin was 68% fourth quarter consolidated adjusted EBITDA was $29.4 million, representing an adjusted EBITDA margin $29.4 million, representing an adjusted EBITDA margin of 16%. Full year consolidated adjusted EBITDA was $162.4 million, representing an adjusted EBITDA margin of 20%.

Finally, our net debt position was $279 billion at the end of the fourth quarter, a decrease of $61 million year over year. Our leverage ratio was 1.63 times net debt to EBITDA. As previously discussed, we made an additional prepayment of $26 million on the new term loan during the fourth quarter, bringing our total amortization paid for 2024 under the new credit facility to $78.8 million. This eliminates the need for an additional payment until December 2025.

This proactive debt repayment underscores our commitment to financial discipline and maintaining our healthy balance sheet. We intend to continue prepaying that this year, reinforcing our focus on strengthening our financial position.

Finally, on leverage, we remain committed to further deleveraging of the business by the end of 2025. However, as we have outlined at our December Analyst Day, net leverage will temporarily increase in the first two quarters of 2025 due to the prepayment of key vendor contracts, decommissioning of legacy systems, corporate bonus payments and the timing of direct republications, which follow a 24-month cycle as we position the marketing services for exit in late 2028.

Since leverage is calculated on a trailing 12-month basis, it will be impacted by this publishing schedule. As a result, we expect significant deleveraging in the third and fourth quarters of 2025 and on a full year basis.

Turning to our outlook for 2025. For the first quarter, we expect total SaaS revenue to be in the range of $107.5 million to $110 million. For the full year, we expect total SaaS revenue in the range of $464.5 million to $474 million, which implies broad SaaS revenue growth of 35% to 38%. We expect Keap to contribute between $75 million to $78 million for the full year, consistent with what we announced at our recent Analyst Day.

For the first quarter, we expect SaaS adjusted EBITDA in the range of $9 million to $9.5 million. For the full year, we expect SaaS adjusted EBITDA to be in the range of $69.5 million to $71 million, which implies SaaS adjusted EBITDA margin of 15%.

For the full year, we expect Marketing Services revenue to be in the range of $310 million to $314 million. Quarterly guidance ranges for Marketing Services are available in our investor presentation, which can be found on our investor site. For the full year we expect Marketing Services adjusted EBITDA to be in the range of $77.5 million to $78.5 million.

With that, I'll turn it back over to Joe.

Unverified Participant

Thank you, Paul. As we look ahead to 2025, I'm happy to share that, including Keap, our SaaS business will be 60% of total revenue. That's a big milestone for us.

At our Analyst Day recently, we outlined what some of the key inflection points coming up will be. One of them is that, in 2026, the majority of our EBITDA will come from SaaS. So, that really kind of helps focus on the fact that we're building a profitable fast SaaS business. And then, in 2027, we anticipate a return to overall top line revenue growth as we continue to build out our platform and gain more and more traction and deliver more and more value for clients.

You know, we are proud of the fact that we were recently given an important award and best software by G2. This is a third party kind of validation of the progress that we're making and it echoes what we hear from our customers all the time, and that's that our software is easy to use, it's helping them run their business more efficiently and helping them streamline operations and, importantly, helping them grow. And so, we intend to continue to innovate and improve and expect to win more awards in the future, but that was really good external validation.

So, as we look now and sort of finish up 2024 and look back on what happened, we're maturing as a software business. Our platform is getting built, not quite done yet, but it's getting built out, getting stronger and our ability to sell to a little bit larger businesses is coming, that's been one of our goals, a little larger ACV. We think there's a little lower churn there. We've already got low churn, but we think we can do even better as we sell to a little bit larger businesses. We think that that's worth the investment.

And, as our platform is being more fully built out, we're really focusing on leaning into the growth side of the business, helping small businesses grow, you know, being an industry-leading marketing and sales platform, helping them to deepen their relationship with their customers.

And so, our dedicated team, I think, is delivering innovative technology. And I'm confident that we can continue to drive sustainable, profitable growth and maximize shareholder value. So we appreciate your ongoing support, and we look forward to the many opportunities that lie ahead in 2025.

With that, operator, we can open the line for question.

QUESTION AND ANSWER SECTION

Operator

And your first question comes from the line of Jason Kreyer with Craig-Hallum. Please go ahead.

Analyst: Jason Michael Kreyer

Question – Jason Michael Kreyer: Wonderful. Thank you, guys. So, look, I know it's early days on the Keap side of things, but just wondering if you could give some early commentary on what the cross-sell process looks like and getting those customers into some of the Thryv centers.

Answer – Unidentified speaker: Sure. The – with the 00:20:46 was just Halloween, so we've just had a couple of months to work on it. So everything is not fully complete. But we do have some cross sales beginning. The process is underway. And, you know, it really goes two ways. Some of the key customers that are coming in through their funnel, through their pipeline, that come in and learn about the automation 00:21:10 representatives that are working with them, I really want growth. I really want to generate leads. I really want to build 00:21:19. And that really is the natural conversation to talk to them about marketings that our Thryv products, and so that works well.

On the Thryv side, we have – I'd say one of our biggest problems is we generate huge numbers of leads for our small business customers. And some of them just sort of fall on the floor. They don't really gets followed-up on as well as they should and we'd like them to. And so putting in place a sales pipeline, a funnel, an automated process that continues to follow-up with those customers, make sure none of them are lost or missed, I think will add tremendous value to our 100,000 Thryv customers on that side of the house. So our sales organization is excited about that and the sort of the plumbing and the wiring for all of that is being put together and the groups are being trained and that will that will kick off and begin to happen as the year plays out.

So we've had a couple of early sales already, just sort of with, you know, the demand was strong and we figured out how to do it but the broad process will be picking up very soon. And we expect about $5 million of cross-sell back and forth between the customer bases this year. That would be a little bit back weighted just because it takes a minute to get it all setup and going. But there's definitely interest, there's definitely demand, the our business advisors are really excited to get their hands on it, to take it to take the deep automation into the big drive customer base.

Unidentified speaker

Question – Unidentified speaker: Thanks, Joe. Maybe a similar topic, you know, as you're targeting these larger businesses, just curious if there's anything different with that process, if there's any changes in the selling cycles and then do you have any tangible evidence yet of the ability to cross-sell into that group or is that maybe is it too early to tell there?

Answer – Unidentified speaker: Well, look, I want to be clear about this. We're not talking about going to really big companies like 200, 500 employee companies, we're about it going up from a three-employee business to an eight-employee business. So, it's not that different. I would say, the biggest difference that we hear, when we get into a little bit larger – you know, we have a lot of service-based business across our customer base. So, the difference here is between a guy with one truck on the road and a guy with five trucks on the road. That's sort of the difference there.

And what we find, when we get into the kind of 10-employee, 15-employee businesses that we really target and really covet, is they're looking for more powerful reporting. You know, our Thryv software is, you know, on the continuum between complicated and really powerful and simple and easy to use, we are closer to simple and easy to use. And so, one of the things up until now and has lacked is really powerful reporting. And I can say the same for Keap. Keap tools work really well, but they don't have as powerful a reporting as a lot of their customers would like.

So, the reporting center, which we've rolled out recently, is a big answer to that and will meaningfully improve client satisfaction for the larger, more complex businesses that are in our current customer base. And, as we talk to customers in the future that have 15 or 18 employees or a little bit bigger. They have a manager. They have some management people that that don't – that aren't just out there putting the roofs on or whatever, they'll be able to look at reports and use reports to run their company to run this software in a way that we think will make us much more attractive to those little bit bigger business.

That was a, I guess, a shortcoming up until now when we got into bigger businesses. We – they were giving us that feedback. Look, we're really looking for more reporting on this. So, that's part of the reason that we've prioritized building Reporting Center and it's something that the key product development team are jumping up and down and excited about, getting Reporting Center for their offerings as well.

Operator

Your next question comes from the line of Scott Berg with Needham. Please go ahead.

Analyst: Scott Berg

Question – Scott Berg: Hi, everyone. Nice quarter here. I guess a couple of questions for me. Joe, let's start – talk I guess sales. In the – in the fourth quarter, you guys have obviously had a lot going on with the acquisition and whatnot. But your customer ads or I guess your net customer ads in the core SaaS business climbed a little bit from what you saw in Q2 and Q3. And I know there's a little seasonality in the business there, but did you see anything different there around, I don't know, buying appetites from your customers? How you guys would go in the market versus what was really a strong middle part of the year?

Answer – Unidentified speaker: Look, Scott, the holidays are always a little softer. Our small businesses are – they almost are on the continuum between enterprise and consumer and almost closer to consumer. So, they literally go on vacation or have, you know, have things going on in their lives where it's hard even to pin down. So, Thanksgiving through kind of early January is just always a little harder for us to be as productive as we'd like with our sales force, to be honest with you. So, that's kind of – that always happens.

So, in terms of if you're trying to ask me kind of about the macro and get a read there, which is what I'm sort of hearing you ask, I think immediately following the election, I think that there was a sense of – a positive sense among small businesses that we were going to have a more business friendly administration and that the climate would be better going forward. And I think that that's still there but it's – there's a layer now of concern about tariffs and about, you know, potentially inflation, and so things that feel a little softer to people out there.

And so these things are some – there's some concern just because there's so much going on. It's not negativity, really, just a little bit more of a caution than just a pure positive feeling that was there in the immediate two months after the election. So I would say overall, and I've said this before, I don't really feel like our result ride on small business sentiment or consumer sentiment at all, actually down to our own execution. But you guys often ask me about, you know, what's the macro? What's the climate? And I would

say it's net. It's not bad, but there is just a little bit of extra concern now out there in the environment, and it does not really impact on our results.

Unidentified speaker

Question – Unidentified speaker: Understood. I certainly understand the seasonality in your fourth quarter. It's apparent in some of your historical metrics as well. From a follow-up, Paul, the Keap acquisition outperformed your expectations in Q4 by, I'll call it, $2 million round number roughly. Yet you maintain the fiscal 2025 contribution from that business. I guess, what drove the upside in the two months that you had it? And then, you know, is there any follow through on that and how we should think about maybe upside opportunity for that Keap segment here in fiscal 2025?

Answer – Unidentified speaker: Yeah. We were a bit conservative in estimate. We just got the business, and we wanted to make sure we delivered. So I would say it was conservatism that led that over performance. I think we're going to stay with our – because integrating businesses are hard. And, you know, for caution, you know, we're going to stick with our estimates that we gave for 00:29:22 between 75 to 78 for the year from the Keap business. We think that's the right number to go with right now.

Unidentified speaker

Question – Unidentified speaker: Excellent. Thanks for taking my questions.

Answer – Unidentified speaker: Thanks, Scott.

Operator

Your next question comes from the line of Arjun Bhatia with William Blair. Please go ahead.

Analyst: Arjun Bhatia

Question – Arjun Bhatia: Hey thanks for taking the question. This is 00:29:48 for Arjun. First question is what other feedback from customers who have experienced a cross between Thryv and Keap and what are you learning from those customer conversations so far?

Answer – Unidentified speaker: So it's very early days. You know, that we are only, you know, really just getting that process started. I mentioned earlier some of the tip leads, if you will, people coming in to Keap, you know, are trying to figure out how to grow their business and in Keap's offering is really kind of the second step in growth. You need to have a list. You need to have customers that you can then nurture and put through Keap's automation process key doesn't – isn't really advertising or really what kind of go generate that list to generate leads for you.

And so, you know, Thryv's Marketing Center is actually designed to do that and it's really helpful in doing that. So, that's been really cool for them. They've been able to capture some leads which otherwise would have just been, you know, gone away before. So that – we've had great feedback there. And I think as they get some success with, you know, winning new business and building up their list, they will naturally be able to add the automation to nurture and manage their sales pipeline.

So it's kind of a hand in glove perfect scenario on the Thryv side of the house. You know, we're already bringing them these, we're already building their list and all that. And so, you know, we will soon begin to sell,

you know, sell the automated customers. And another thing it's permitting us to do is customize and build some vertical automation so that we can, you know, have a very successful HVAC guy or a very successful roofer, help us build automations for their industry that we can then go to thousands of other HVAC or roofing guys and really say, look, this is being used by one of the leaders in your industry, and it's got all the automations designed just the way you would want that for your business. You can, of course, customize that.

This is turnkey and ready to go. And so that's a big piece of what we're doing going forward, because while we are a horizontal software, we've had a tremendous amount of success in a lot of verticals. And further customizing for those verticals is something that we really were excited about doing and Keap permits that unless let's do that in a really big hurry. So that's something that I can tell you, our sales organization is really excited about getting those optimized automations to take to their clients and feel like they'll be a very strong appetite for them.

Unidentified speaker

Question – Unidentified speaker: Awesome and kind of moving broadly. Any changes to the go-to-market to achieve the goal of returning overall business growth by 2027?

Answer – Unidentified speaker: Yeah. I mean, the acquisition of Keap added a really significant partner channel. We have a thousand partners in that partner channel and you know, we had a small partner effort within drive, but we were honestly not that great at it. And buying a proven, you know, two decade old, really well-oiled, well-running partner channel is a meaningful adder for us to enhance our sales channel to the more sophisticated kind of business that it acquires their software through partners. The other piece it does is that it really amplifies our international effort into markets that, you know, we don't currently have a footprint. And so, yes, I do think that that's a big amplifier of our sales efforts and will contribute mightily by 2027 to the overall top line growth that we anticipate getting back to.

Unidentified speaker

Question – Unidentified speaker: Awesome. Thanks, guys.

Answer – Unidentified speaker: Thank you.

Operator

Your next question comes from the line of Daniel Moore with CJS Securities. Please go ahead.

Analyst: Daniel Moore

Question – Daniel Moore: Good morning. Appreciate the color and thanks for taking questions again. I guess two quick ones. One, you reiterated it in the slide deck and great to see the lines, so to speak, cross on revenue and SaaS making up the majority of revenue now. Just update us on your confidence that, you know, and maybe any greater specificity in terms of when you expect the lines to cross on EBITDA? Just wondering whether you still feel like fiscal 2025 will mark roughly the bottom for EBITDA and when we start to think about overall growth there?

Answer – Unidentified speaker: Sure. That it's our and that's 00:34:46 that I think great slide shows the sort of inflection point. We're anticipating that the majority of our EBITDA, source of EBITDA in 2026 will be

coming from the SaaS business. So it will actually take the baton and it's not like marketing services, still be making a whole lot of money it will SaaS will actually eclipse it.

And then the following year, in 2027, we believe that the now that much bigger SaaS business will be able to deliver overall top line growth in the business, even as marketing service continues to decline rapidly. So that's sort of how we us playing out. As far as trying to park it all the way down to like what quarter that happens or whatever, I think that would be a little too clever for us to join to right now. We do have a model that we're looking at them and we think about it, but I'm not sure that would be appropriate for me to go there and take it down tighter than that.

Unidentified speaker

Question – Unidentified speaker: Understood. And then maybe just speak to the cadence of launch of additional centers over the next, you know, say, 1 to 2 years or to focus more on, you know, integrating and capturing revenue synergies from Keep.

Answer – Unidentified speaker: Thanks. Yeah. We have already, you know, sort of pre-announced at our Analyst Day what the next center is work for center, we've had a demand there for time tracking and paying of employees and contractors and that's something that we've been building for a couple of years and actually have it in alpha level now. And so it's we're confident that that will come out this year know probably won't add any revenue this year, the revenue as come the year after.

As far as additional centers going into 2026 and 2027, we've stopped short of promising any further center. Now, that doesn't mean we won't add it, but what we what we are going to be really focused on is making it all really work well together and making sure the platform and tools that we have is interoperable with other things in the market. And in the case of kids coming in, that it's silky smooth working between everything, the UI, they're integrated, everything just works well for Frankenstein here we want to really easy to use platform.

You know, one of the things if you're dealing with very small businesses is you have to make it kind of consumer grade. It's got to be really simple and clear. You can't challenge people with hard-to-use tools. So, that's going to be really important for us. And we have not promised more centers each year after that. Some of our innovations may come in the form of add-ons or other product offerings that maybe don't rise to the level of being a whole separate center.

We had an initial vision for the platform we were trying to build with Workforce Center, you know, puts the big legs on. And now we've got a lot to fill in to do. So, I would not guide you that you'll see, you know, another massive center coming out each of the next few years. Just us continuing to innovate and make everything work better together.

Unidentified speaker

Question – Unidentified speaker: Understood. Appreciate it.

Answer – Unidentified speaker: Thanks, Dan.

Operator

Your last question comes from the line of Zach Cummins with B. Riley Securities. Please go ahead.

Analyst: Zach Cummins

Question – Zach Cummins: Yeah. Hi. Good morning. Thanks for taking my questions. Joe, I wanted to ask about the ARPU and just the core Thryv SaaS business. It was nice to see that sequential uptick from Q3 to Q4. Are we approaching the trough in terms of where you think ARPU will be for that business? I know it can fluctuate just given adding new marketing legacy, marketing services customers versus layering in additional products. So, just curious of how you're thinking about that progression of the ARPU for the core business.

Answer – Unidentified speaker: You're right. The number can be noisy and bounce around a little bit based on the conversion activity working with, you know, with the Marketing Services folks. So, that has been a bit – a bit noisy. But I do feel like if I look at the whole of 2025 that one of the stories when we look back at the end, it will have been a very strong progress on ARPU growth. I think, you know, we spent the last couple of years really building a very big client base, 114,000, whatever clients when you include Keap.

And I think what we want to do now and what we're – what we're you know asking our sales organization and our marketing team to do is really spend time with that installed base and make sure that they are engaged with the product, bedded down, using it and that we're meeting more and more of their needs so they don't have to go elsewhere. We think we want them to do it with us. And so, not to be crass, but upselling them, basically, working with them to get more products in place.

I think that one of the slides in the deck talked about, you know, the significant progress that we've made so far on adding additional SaaS products to the existing customers. I think this year, 2025, will be a year where that's a beacon. That's like a big focus within marketing and sales of the company. And so, I think, you know, I do expect that will be, you know, ARPU growth will be probably the big, the big thing for 2025.

Unidentified speaker

Question – Unidentified speaker: Got it. Got it. And I think you're already partially addressing my one follow-up question, but can you speak to just some of the other paid SaaS products that you've crafted and are selling within the base now, aside from just paying for additional centers and driving that percentage upward?

Answer – Unidentified speaker: Yeah. We're – we are trying to kind of fill out the offerings with an eye towards helping a small business grow. You know, our background or legacy since 1886 is linking buyers and sellers together, and we still own and control some of the most, the biggest and most powerful directory sites around the world and we have a very large network of directory partners

for which we work and we sort of monetize their traffic.

And so we're trying to bring all of that to bear to, you know, make the phone ring, bring inbound inquiries to our customers. And, you know, what we find is that customers will stop and really have a conversation with you if you can help them grow if you can make their phone ring, if you can bring jobs in, if you can help them get new customers. And so we've been building products to help them do that and reaching back to some of our, you know, our legacy capabilities, if you will, to do that.

One of the things we added last year was a product we call you know growth packages. And these growth packages, you know, when – they go with Marketing Center. So they're an add-on to Marketing Center, just lights you up and help you bring inbound inquiries in. And they – it really works very, very well both from a result for our customer standpoint, but also from a sales standpoint. And our sales force gets it and has been really great at selling that.

And so that's part of why we broadened the definition. Instead of just additional centers, we made it additional product because growth packages aren't a – they aren't a full news center. They're more of a, you know, an add-on to Marketing Center. But they have made a big difference and, you know, I think are helping us to really stake out ownership of that growth category.

There's a lot of software out there to help you with CRM-type stuff and back office type stuff, tracking your trucks when they drive around and all those kind of stuff. And there's a lot of that out there, but it's something that a small business can embrace that will actually help them grow and then help them really track how that growth is working. You know that there's the famous John Wanamaker quote from last century where he said, I know half of all my advertising is wasted. I just don't know which half. You know, Marketing Center addresses that. It allows you to instrument and know absolutely everything that you're doing and how it's working.

That yard sign that you put in front of a house that you're putting a siding on, is that actually working? Well, Marketing Center will tell you exactly how many calls it generated, a then links that to your results, whether you sold them or not.

You can the – the phone number that's on the side of your truck, you can figure out if that's working. Everything that you're doing, you could track. Are people bouncing out of your website? You can heat map your website and figure out what's working and what isn't. Really, every piece of your marketing.

And so, to have that kind of absolute transparency with Marketing Center and then have tools that actually drive leads into it, you know, we think is a really valuable place to sit within the market and customers are really responding well to it.

And then, the – we could graph this, if you come along behind it, and you add the key product, where you put a sales pipeline and automations in that phone and make sure that none of those leads are spilled on the ground and you really are starting to cook with gas here. You got a really great, you know, growth-oriented package.

And then, for the businesses, they succeed and they grow and they get a little bit bigger. You know, we obviously have a CRM, estimates, invoice and billing payments. We can help you manage social media. We now got powerful reports that you can track, you know, how it's all working and have a daily report. You can run your business off almost like a small business version of Domo or like something really simple that helps you run your business. And, soon, you'll be able to also pay your employees and keep track of contractors and hours and so on.

So, we're really building almost like a complete platform to run a small business on. And it's really – and this is really important. This is where the market is now. If we look back five years, most small businesses were not in the cloud. And if they were, they were just using a little narrow point solution. They were maybe, you know, bringing out a loyalty tool or some little thing to help over social media or maybe a payment tool.

The question that's on their lips now is rather than this piecemeal point solution thing, is there a more complete platform that I can sign up for that I can have one log in, I can show my employees how to use it. I can set permissions within this one thing, and I could have this more almost enterprise-wide for my 12

employees because this is a tool that I have access to on my mobile device. When I'm at the kid's soccer game or I'm away for the weekend, I can track everything. I know what's going on. I get rid of some of this paper in my life, and I'm actually able to run my business.

And the whole thing is, you know, less than $1,000 a month to run my business on. And that's a spot we've been aiming at. And I'll admit, we might have been early. You know, we were out there trying to sell a complete platform to people that were only ready for point solutions in the early stages of this. But now the small businesses are moving toward this, wanting this more complete solution. And I think we have the right product for the right time.

I think the second half of this decade will be a whoosh, a big wave of demand for what we offer. And I think that we're really well positioned. And we're working with great urgency to finish our platform, finish building it out, and work out all the little kinks and burrs and problems. And so, it's super, super easy to use and very interoperable with everybody else's tools. But we think we will capture an enormous amount of demand at its own.

Unidentified speaker

Question – Unidentified speaker: Got it. Appreciate all the color and congrats on the strong results.

Answer – Unidentified speaker: Thank you.

Operator

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

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