



# Second Quarter 2018

Supplemental Earnings Call Slides



# Safe Harbor Provision

Statements in this press release regarding LivePerson that are not historical facts are forward-looking statements and are subject to risks and uncertainties that could cause actual future events or results to differ materially from such statements. Any such forward-looking statements, including but not limited to financial guidance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. It is routine for our internal projections and expectations to change as the quarter and year progress, and therefore it should be clearly understood that the internal projections and beliefs upon which we base our expectations may change. Although these expectations may change, we are under no obligation to inform you if they do. Actual events or results may differ materially from those contained in the projections or forward-looking statements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: potential fluctuations in our quarterly revenue and operating results; competition in the market for digital engagement technology; our ability to retain existing clients and attract new clients; potential adverse impact due to foreign currency exchange rate fluctuations; privacy concerns relating to the Internet that could result in new legislation or negative public perception; risks related to new regulatory or other legal requirements that could materially impact our business; our ability to effectively operate on mobile devices; failures or security breaches in our services, those of our third party providers, or in the websites of our customers; risks related to industry-specific regulation and unfavorable industry-specific laws, regulations or interpretive positions; the adverse effect that the global economic downturn may have on our business and results of operations; economic conditions and regulatory changes caused by the United Kingdom's likely exit from the European Union; our ability to retain key personnel, attract new personnel and to manage staff attrition; risks related to the ability to successfully integrate past or potential future acquisitions; additional regulatory requirements, tax liabilities, currency exchange rate fluctuations and other risks as we expand internationally and/or as we expand into direct-to-consumer services; risks related to the regulation or possible misappropriation of personal information belonging to our customers' Internet users; potential failure to meeting service level commitments to certain customers; risks related to protecting our intellectual property rights or potential infringement of the intellectual property rights of third parties; legal liability and/or negative publicity for the services provided to consumers via our technology platforms; technology systems beyond our control and technology-related defects that could disrupt the LivePerson services; errors, failures or "bugs" in our products may be difficult to correct; increased allowances for doubtful accounts as a result of an increasing amount of receivables due from customers with greater credit risk; payment-related risks; delays in our implementation cycles; impairments to goodwill that result in significant charges to earnings; risks associated with the recent volatility in the capital markets; our ability to secure additional financing to execute our business strategy; our ability to license necessary third party software for use in our products and services, and our ability to successfully integrate third party software; our ability to maintain our reputation; risks related to our recognition of revenue from subscriptions; our lengthy sales cycles; risks related to our operations in Israel, and the civil and political unrest in that region; changes in accounting principles generally accepted in the United States; risks associated with our current or any future stock repurchase programs, including whether such programs will enhance long-term stockholder value, and whether such stock repurchases could increase the volatility of the price of our common stock and diminish our cash reserves; natural catastrophic events and interruption to our business by man-made problems; the high volatility of our stock price; and risks related to our common stock being traded on more than one securities exchange. This list is intended to identify only certain of the principal factors that could cause actual results to differ from those discussed in the forward-looking statements. Readers are referred to the reports and documents filed from time to time by us with the Securities and Exchange Commission for a discussion of these and other important factors that could cause actual results to differ from those discussed in forward-looking statements.

270 BIL

customer service calls each year

85%

of callers are put on hold

67%

hang up

48%

feel unhelped



**Inc.**  
The Magazine for Growing Companies

**THE BEST INDUSTRIES FOR STARTING A BUSINESS**

**The Rise and Risk of Under Armour**  
Inside Kevin Plank's Billion-Dollar Bet on Tech

PAGE 28

↑  
"As a founder, I can play a little more freely than other CEOs."  
—Kevin Plank

DISRUPTOR

**Killing the 800 Number**  
LivePerson's web chat lets companies reach out to their customers online

As told to LIZ WELCH

**W**HEN ROBERT LOCASCIO STARTED surfing the internet back in 1993, he thought, "This is awesome—but where are the people?" They were chatting in forums with one another, but there was no connection between consumers and companies that were selling things or services online. LivePerson's theory that no one wants to be put on hold.

**The Web's Next Wave**  
Everyone thought the Internet digitized the relationship between brand and consumer. But when they communicate, it still goes offline to voice, and that's not the way the world is today. We're riding the internet's third wave. The first was organizing the world's information through search—i.e., Google. The second was connecting people with people, so Facebook, businesses.

My first idea, in 1995, was for companies to bring their customers together in a community. Chatrooms existed online, but the business application did not. Xerox was my first customer, and within a couple of months they said, "We don't want our customers talking to one another because it's a bitch session." We were able to connect the chat capabilities to support our customers.

with cheaper implementation, so we bought it in late 2000, restructured, and moved all our customers onto that platform and our tech operations to Israel. That saved the company.

When you're on a website, picking up the phone to make a call is a very disconnected experience. Back in the late '90s, you had to log off because of dial-up internet. Even today, 90 percent of interactions come through voice. A credit card or any type of call has an 800 number to call.

MOVING ON  
LIVEPERSON

**CUTTING CORDS**  
Americans make more than a quarter trillion 1-800 calls a year and don't have a very good time of it. Letting go of the phone is not a hard call.

↓

**85**  
PERCENT OF CALLERS ARE PUT ON HOLD.

↓

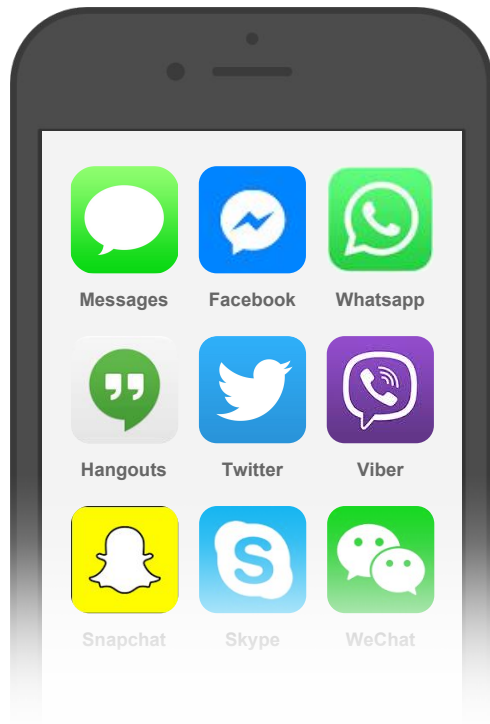
**48**  
PERCENT FEEL UNHELPED.

↓

**67**  
PERCENT HANG UP.

# Consumers Already Prefer Messaging

They prefer the freedom of messaging over being tied to a phone call



The average **Millennial** exchanges an average of **67 text messages per day**.

BUSINESS INSIDER

Americans now spend around **5 times longer** in messaging apps each day than on voice calls.

nielsen

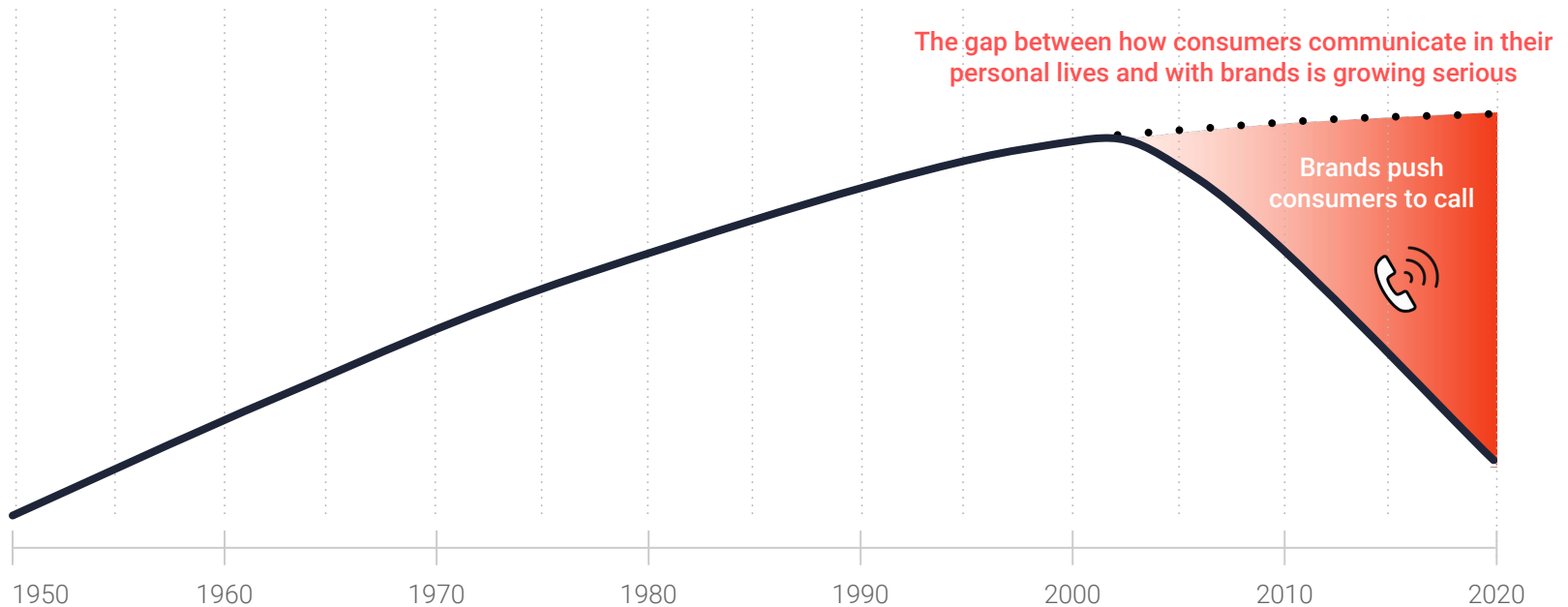
WhatsApp and Facebook Messenger alone carry **22 trillion messages per year**.

facebook

# There is a Growing Gap in Customer Care

Consumers have moved on from voice, but laggard brands push calls

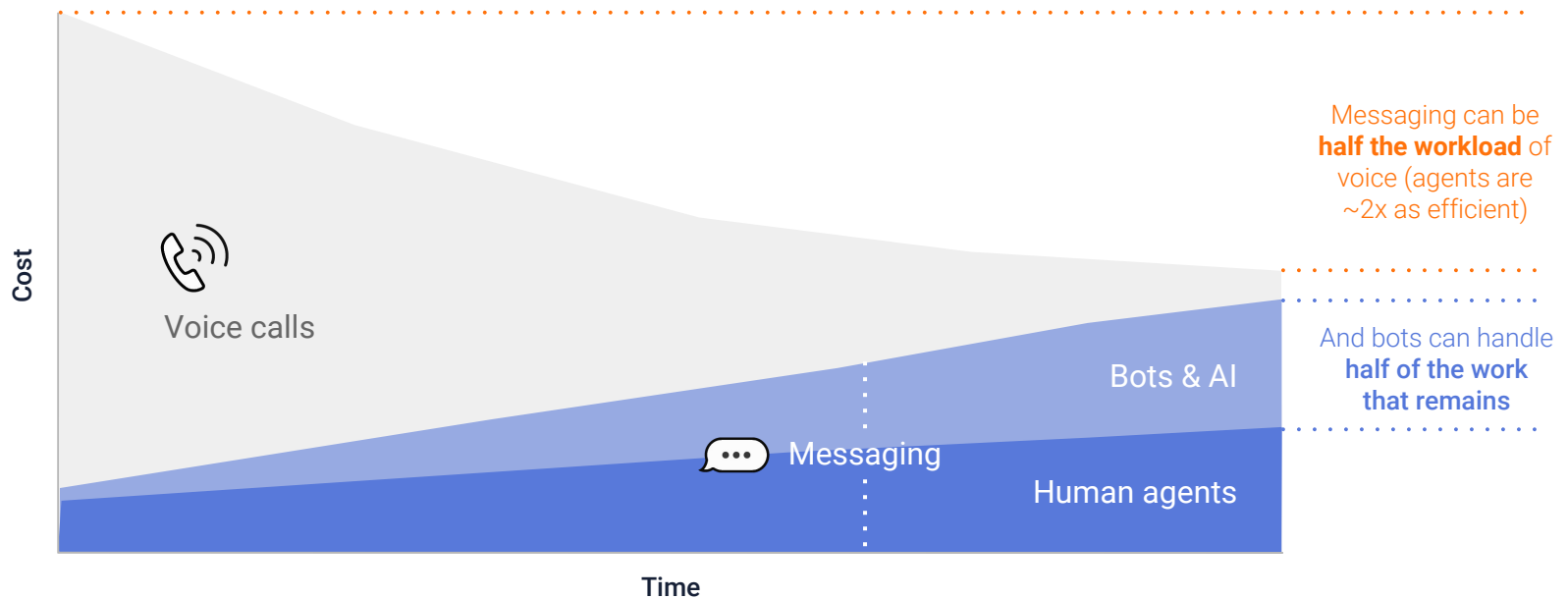
— Consumer phone call volumes



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# The Future is Mobile Messaging

Preferred by consumers  
And up to 4 times as efficient as legacy voice channels

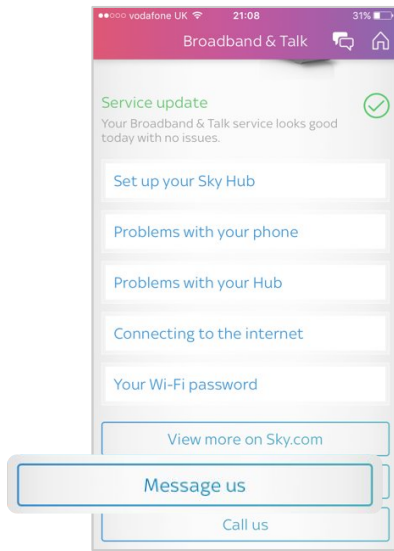


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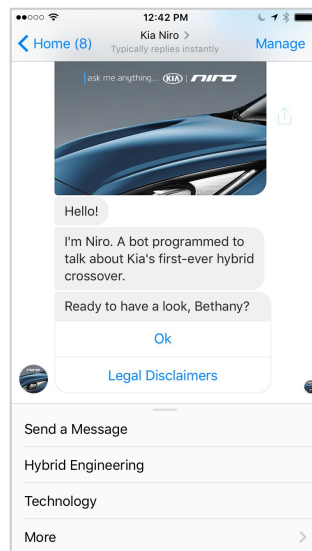
# LiveEngage Messaging Hub

## In-App, Messenger, Google, SMS, and More to Come

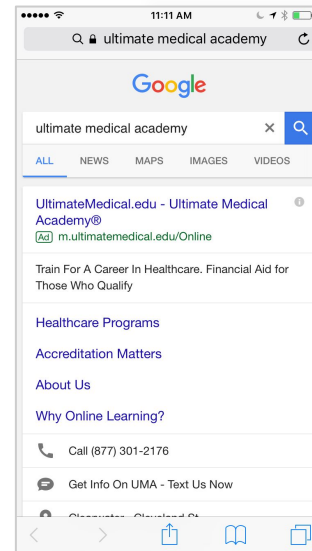
Consumers message their favorite brands whenever it suits them. In their pockets, 24-7.



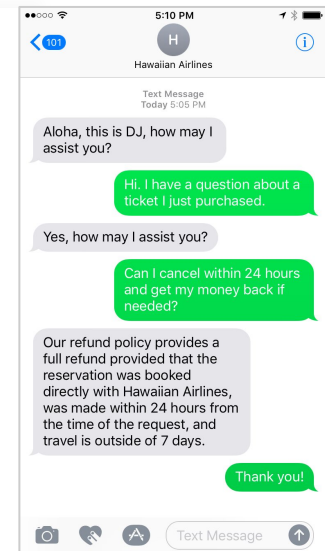
In-app



Messenger



Click-to-Message



SMS

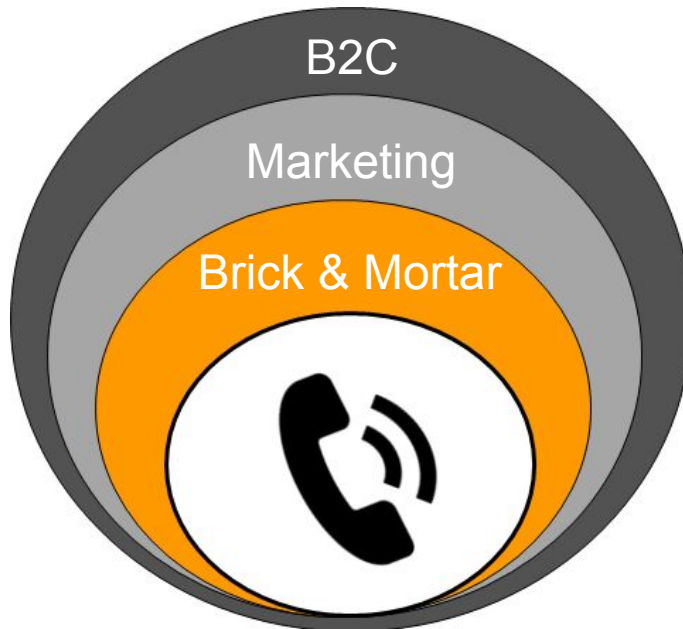
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# A Significantly Expanded Addressable Market

Material revenue opportunity as conversations go to billions from millions

LiveEngage addressable market includes 268B conversations in the contact center alone

LivePerson is estimated to hold a leading 35% share in legacy webchat; powers ~300M interactions a year





# Recent Highlights

- **Strong YTD results and outlook:**
  - 1Q:18 and 2Q:18 revenue exceeded guidance and Consensus estimates
  - Two consecutive quarters of mid-teens revenue growth, with revenue up 14% YtY
  - Raises guidance for 2018 revenue growth to 13% YtY from 10% at midpoint of range
- **Partner ecosystem gaining momentum:**
  - Landed joint customer wins with strategic integration partners IBM and Accenture
  - Announces integration with WhatsApp, world's leading app with 1.5B active users
  - Customer summit featured Apple, Facebook, Google, Microsoft and WhatsApp; no other platform bringing together such technology powerhouses in one ecosystem
  - Powered Cannes Lions concierge service with Apple Business Chat on LiveEngage for 16,000 marketing attendees
  - Tripled size of SMB partner network year to date
- **Strong indicators of accelerating growth and market leadership:**
  - Signed largest contract in history with existing customer, \$30M+ over three years
  - Attracting top AI, machine learning and developer talent from world-class companies including Amazon, eBay, Nike and Target
  - ARPU increased more than 20% year over year to greater than \$255,000
  - Strong revenue retention, mobile adoption and interaction adoption metrics
  - Deferred revenue increased 35% year over year to \$50 million

# Positive LiveEngage Leading Indicators

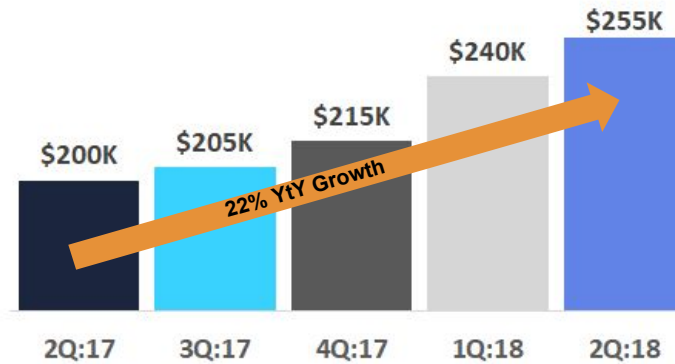
Trends for key metrics point to sustained growth trajectory

## Revenue Retention Rate

**> 100%**

*Six consecutive quarters over 100% threshold*

## Average Revenue Per User (ARPU)

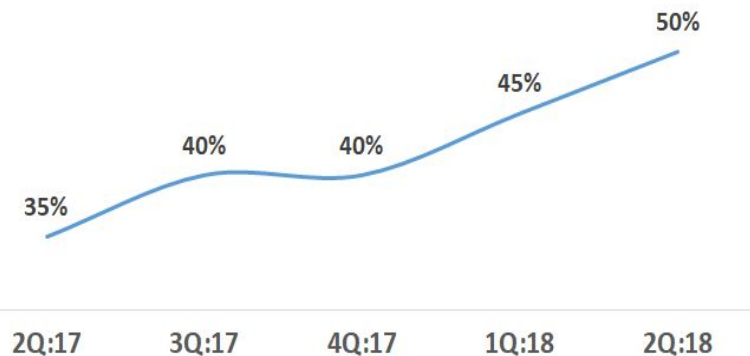


## Same Customer Usage Growth YtY

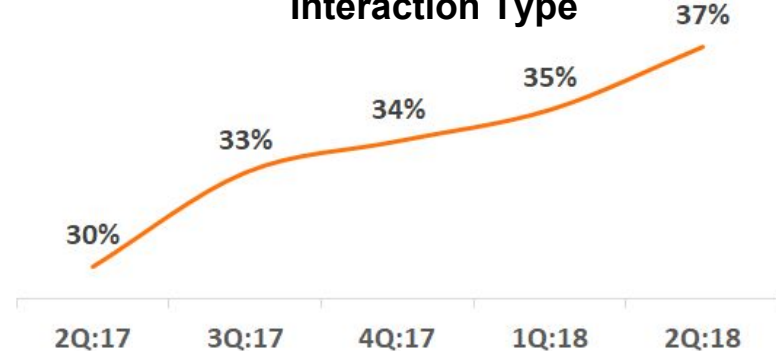
**> 10%**

*Five consecutive quarters of growth*

## Interactions on Mobile



## Full Service Brands with >1 Interaction Type



\*Note: Revenue retention rate measures the % of revenue retained at quarter end from full service customers that were either on LiveEngage or with LivePerson, respectively, at quarter end in the year ago period.

\*Note: ARPU is a measure of the average revenue per enterprise and midmarket customer over the trailing-twelve months.

# Select Pro-Forma Guidance Measures<sup>1</sup>

	3Q:18 Guidance	Updated 2018 Guidance	Previous 2018 Guidance
Revenue	\$62.0 - \$63.0	\$245.5 - \$247.5	\$239.0 - \$243.0
Gross Margin	~75.5%	~ 75.5%	~ 76.0%
GAAP Net Loss	\$(7.1) - \$(5.9)	\$(22.8) - \$(19.2)	\$(16.7) - \$(13.3)
Adjusted EBITDA	\$5.1 - \$6.1	\$22.0 - \$25.0	\$22.0 - \$25.0
Adjusted EBITDA Margin	8.2% - 9.7%	9.0% - 10.1%	9.2% - 10.3%

- Raised midpoint of 2018 revenue guidance by \$5.5M, targeting 13% YtY growth
- Maintained adjusted EBITDA guidance range of \$22.0M to \$25.0M, up from 18.4M in 2017
- Reinvesting to accelerate growth and capture rapidly expanding total addressable market:
  - Focused on customer summits, partnerships, go-to-market resources and technical expertise
- 2018 GAAP net loss includes approximately \$11.2 million of projected non-recurring expenses primarily tied to IP litigation (\$6.0M-\$6.5M), severance and restructuring (\$4.0M-\$4.5M), consulting and other (\$0.7M).

<sup>1</sup>Notes: Dollar amounts in millions. Adjusted EBITDA is a Non-GAAP financial measure. For a reconciliation of Adjusted EBITDA to net income (loss) please see slide 12. For detailed current financial expectations, please see our Press Release issued on August 1, 2018.

# Non-GAAP Adjusted EBITDA Reconciliation<sup>1</sup>

Guidance	3Q:18E	2018E
GAAP net loss	\$(7.1) – \$(5.9)	\$(22.8) – \$(19.2)
Depreciation & amortization	\$4.2	\$16.7
Stock-based compensation	\$4.0	\$15.2
Non-recurring charges	~\$2.9	~\$11.2
Provision for taxes	\$1.2 - \$1.0	\$1.9 - \$1.3
Other Income	\$0.0	\$(0.2)
Adjusted EBITDA	\$5.1 - \$6.1	\$22.0 – \$25.0

<sup>1</sup>Notes: Dollar amounts in millions. Certain items may not total due to rounding. Adjusted EBITDA is a Non-GAAP financial measure. Adjusted EBITDA excludes provision for (benefit from) income taxes, other (income)/expense, net, depreciation and amortization, stock-based compensation, restructuring costs, acquisition costs and other non-recurring charges. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. For detailed current financial expectations, please see our Press Release issued on August 1, 2018.