



First Quarter 2017

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; technology systems beyond our control and technology-related defects that could disrupt the LivePerson services; 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; 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



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.

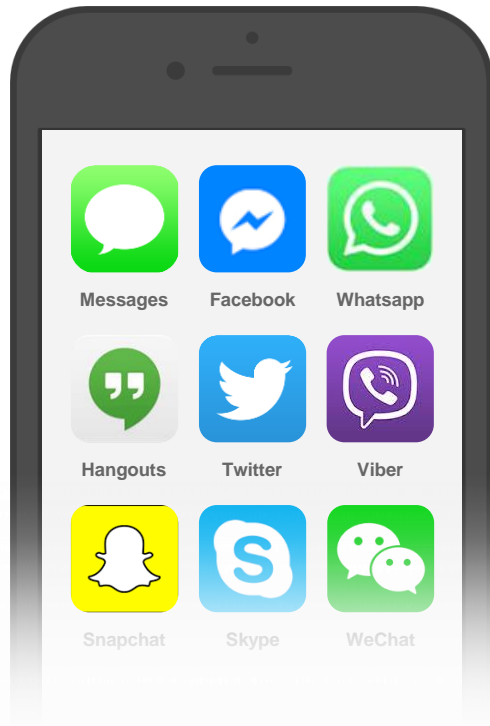
48
PERCENT FEEL UNHELPED.

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.

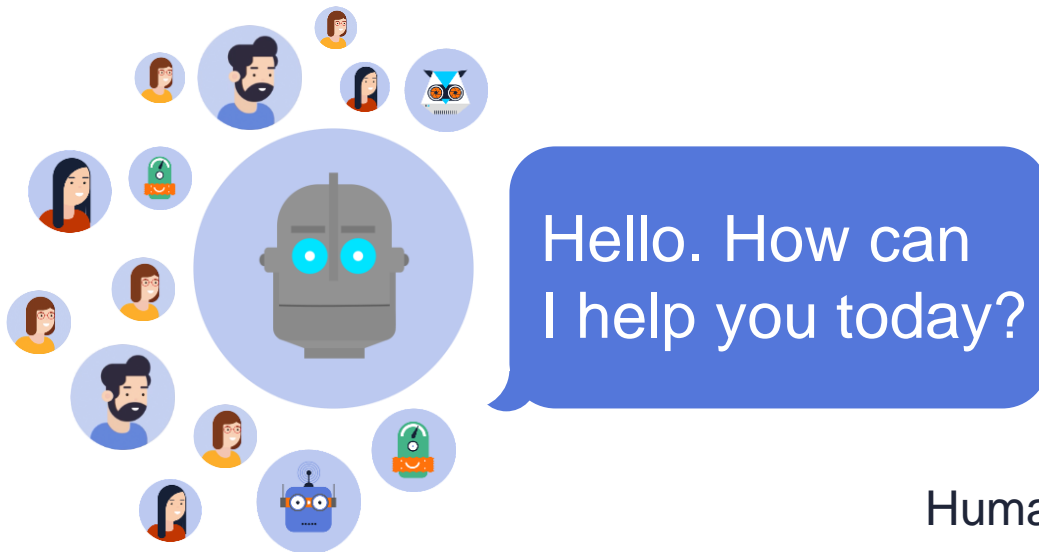
nielsen

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

facebook

LiveEngage for Bots

Manage Multiple Bots at Scale in Tandem with Human Agents



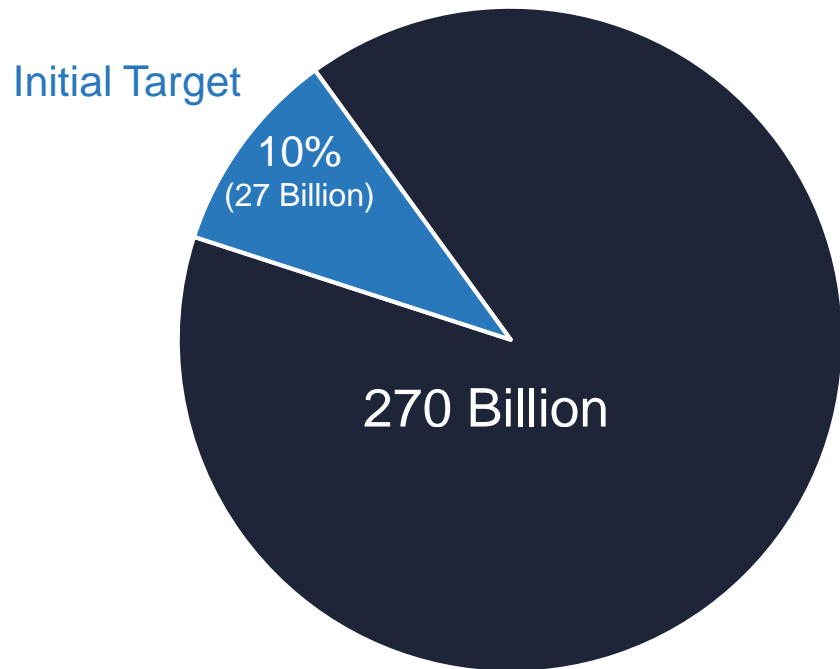
Humans and AI Tango back and forth with smart, seamless handoffs



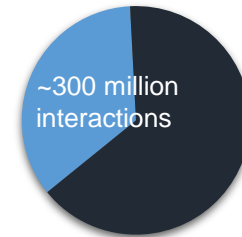
TAM of 270 Billion Conversations

A Transformative Opportunity for Customer Care and LivePerson

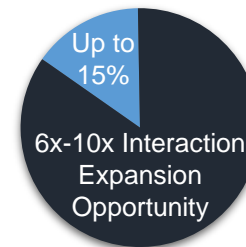
1-800 # Calls



Leading web chat share...



...but limited penetration of each contact center



Recent Highlights

- **Extending our lead in messaging:**
 - **Held customer care industry's first global AI, bots, and messaging summit; attendance exceeded planned capacity**
 - **Launched LiveEngage for Bots platform extension that powers unified management and measurement of bots, AI, and human agents at scale**
 - **Providers ChatFuel, IBM-Watson, and Toshiba already live with brands**
- **Returned to focus on growth in 1Q:**
 - **Signed multiple messaging deals with leading brands across the globe**
 - **Selling activity rebounded to pre-migration levels and drove record ASP**
- **Reduced 1Q expenses \$3.4 million year over year as we align on LiveEngage**
 - **On track for \$16-\$19 million annual reduction (excl. one time, restructuring and non-cash items), following nearly \$15 million of savings in 2016**
- **Deferred revenue grew more than 50% YoY to record \$33 million in 1Q:17**
- **Strengthened Board, adding visionary directors from Zappos and BackCountry/Tamara Mellon with expertise in developing high-growth operating cultures and an outstanding customer experience**

New Chapter on LiveEngage

Platform transition to LiveEngage to Wind Down in 3Q:17

	1Q:17A	2Q:17E	3Q:17E
Remaining Legacy Revenue (Ms)	\$40	\$24	\$10
% of Revenue Remaining on Legacy	19%	12%	< 5%

*Note: % of Revenue Remaining on Legacy is calculated using midpoint of current guidance range of \$204 to \$209 million.

LiveEngage Metrics	1Q:17
\$ Retention Rate*	100%+
Full Service Brands with > 1 Interaction Type	~ 30%
Interactions on Mobile	~ 35%
Same-Customer YoY Usage Growth	> 10%

*Note: Dollar retention rate measures the % of revenue retained at quarter ended March 2017, from full service customers that were either on LiveEngage or with LivePerson, respectively, at quarter ended March 2016.

Select Pro-Forma Guidance Measures¹

	2Q:17	Updated 2017 Guidance	Previous 2017 Guidance
Revenue	\$51.0 - \$52.0	\$204.0 - \$209.0	\$201.0 - \$209.0
Gross Margin (ex. one-time)	72.5%	~ 73.5%	~ 73.5%
GAAP Net Loss	\$(6.7) - \$(6.1)	\$(22.8) - \$(17.6)	\$(22.8) - \$(17.6)
Adjusted EBITDA	\$3.3 - \$4.2	\$17.3 - \$21.3	\$17.3 - \$21.3
Adjusted EBITDA Margin	6.5%-8.1%	8.5% - 10.2%	8.6% - 10.2%
YoY FX Impact	\$(0.7)	~ \$(3.0)	~ \$(3.0)

- Raised low end of previously issued 2017 revenue guidance due to solid start to year
- Targeting 2H:17 revenue up over 1H:17, positioning LivePerson for renewed growth in 2018
- Preserving margins by targeting \$16-\$19 million of savings (excluding one-time, restructuring and non-cash expenses) as we wind down Legacy and align on LiveEngage growth strategy
- 2017 GAAP net loss includes \$8.7-\$9.6 million of projected restructuring and one-time fees: \$2.7-\$3.1 million tied primarily to wind down of Legacy offering and \$6.0-\$6.5 million tied to IP litigation

¹Notes: 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 10. For detailed current financial expectations, please see our Press Release issued on May 10, 2017.

Non-GAAP Adjusted EBITDA Reconciliation¹

Guidance	2Q:17	2017
GAAP net loss	\$(6.7) – \$(6.1)	\$(22.8) – \$(17.6)
Depreciation & amortization	\$3.9	\$15.2
Stock-based compensation	\$2.8	\$10.5
One-time charges	\$1.8 - \$2.0	\$8.7 – \$9.6
Provision for taxes	\$1.5 - \$1.6	\$5.7 - \$3.6
Adjusted EBITDA	\$3.3 - \$4.2	\$17.3 – \$21.3

¹Notes: Dollar amounts in millions. 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 May 10, 2017.

Change to Presentation of Non-GAAP Measures

Updated calculation methodology

Non-GAAP Calculation Methodology	1Q:16	2Q:16	3Q:16	4Q:16	2016
Pre-tax loss	\$(2.1)	\$(6.5)	\$(2.7)	\$(8.7)	\$(19.9)
One-time, restructuring & non-cash expenses	4.3	7.1	4.5	11.0	26.9
Adjusted pre-tax income	2.2	0.7	1.8	2.3	7.0
Non-GAAP tax effect (@ 35%)	(0.8)	(0.2)	(0.6)	(0.8)	(2.5)
Adjusted net income	1.4	0.4	1.2	1.5	4.6
Adjusted net income per Share	\$0.03	\$0.01	\$0.02	\$0.03	\$0.08

Historical calculation methodology

Non-GAAP Calculation Methodology	1Q:16	2Q:16	3Q:16	4Q:16	2016
Net loss	\$(2.7)	\$(7.8)	\$(5.9)	\$(9.6)	\$(25.9)
One-time, restructuring & non-cash expenses	4.3	7.8	4.5	10.9	27.6
Tax effect on non-GAAP add backs (@ 35%)	(1.5)	(2.5)*	(1.6)	(3.8)	(9.4)*
Adjusted net income (loss)	0.1	(2.4)	(2.9)	(2.4)	(7.7)
Adjusted net income (loss) per Share	\$0.00	\$(0.04)	\$(0.05)	\$(0.04)	\$(0.14)

In 2017, we have updated the methodology for calculating adjusted net income. Whereas we previously incorporated the GAAP tax rate into our calculation, we now start with GAAP pre-tax profit (loss), add back restructuring, one-time and non-cash expenses, and then apply a standardized 35% tax rate. The goal of the revised calculation is to limit the volatility of GAAP tax rate fluctuations and to more closely align non-GAAP taxes with cash taxes.