

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 26, 2017

**LivePerson, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-30141**  
(Commission File Number)

**13-3861628**  
(I.R.S. Employer  
Identification No.)

**475 Tenth Avenue, 5th Floor**  
**New York, New York 10018**  
(Address of principal executive offices, with zip  
code)

**(212) 609-4200**  
Registrant's telephone number, including area code

**N/A**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

A copy of the press release issued by LivePerson, Inc. (the “Registrant”) on July 26, 2017, announcing its results of operations and financial condition for the quarter ended June 30, 2017, is included herewith as Exhibit 99.1 and is incorporated herein by reference. The information included in this Current Report on Form 8-K (including Exhibit 99.1 hereto) that is furnished pursuant to this Item 2.02 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a) (2) of the Securities Act of 1933, as amended. The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference into such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits. The following documents are included as exhibits to this report:

99.1 Press release issued July 26, 2017 relating to results of operations and financial condition for the quarter ended June 30, 2017.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LIVEPERSON, INC.**  
(Registrant)

Date: July 26, 2017

By: /s/ DANIEL R. MURPHY

Daniel R. Murphy

*Chief Financial Officer*

## EXHIBIT INDEX

99.1 [Press release issued July 26, 2017 relating to results of operations and financial condition for the quarter ended June 30, 2017.](#)

## **LivePerson Announces Second Quarter 2017 Financial Results**

**-- Raises 2017 Revenue Guidance --**

**-- Signs Groundbreaking Partnership with IBM --**

**-- Selected by Apple for Integration with Apple Business Chat --**

**-- Brings Conversational Messaging to Fortune 100 Financial Institutions --**

NEW YORK, July 26, 2017 /PRNewswire/ -- LivePerson, Inc. (NASDAQ: LPSN), a leading provider of mobile and online business messaging solutions, today announced financial results for the second quarter ended June 30, 2017.

### **Highlights**

Total revenue in the second quarter of 2017 was \$54.1 million, compared to the previously issued guidance range of \$51.0 million to \$52.0 million. Within total revenue, business operations (B2B) revenue for the second quarter of 2017 was \$49.6 million and revenue from consumer operations was \$4.5 million.

LivePerson signed a total of 91 deals in the quarter, which includes the addition of 29 new customers. Trailing-twelve-months average revenue per enterprise and mid-market customer held steady at approximately \$205,000.

"In the second quarter of 2017, we executed on our plans to extend the lead of our enterprise conversational platform and to capture a meaningful share of an enormous greenfield market opportunity," said CEO Robert LoCascio. "We forged a major global partnership with IBM, added Apple Business Chat to our ecosystem of messaging front ends, and signed several leading financial institutions for messaging, complementing the recent strength we have been seeing in telecommunications. With revenue building sequentially, and LivePerson's platform transition ending in the third quarter, we are on target to return to growth in 2018."

### **Customer Expansion**

During the second quarter, the Company signed contracts with the following new customers:

- One of Europe's largest online food delivery providers
- A global logistics provider that manages more than 500 facilities across 15 countries
- A leading ridesharing app
- One of the largest credit unions in the Northwest U.S.
- An early childhood education leader with more than 1,000 national learning centers

The Company also expanded business with:

- Two Fortune 100 financial institutions
- One of the top North American telcos
- A leading satellite and cable television company in Australia

- One of the largest North American cable operators
- A leading regional U.S.-based airline

### **Net Loss and Adjusted Net Income**

Net loss for the second quarter of 2017 was \$7.5 million or \$0.13 per share, as compared to a net loss of \$7.8 million or \$0.14 per share in the second quarter of 2016. Adjusted net income for the second quarter of 2017 was \$0.3 million or \$0.01 per share, as compared to adjusted net income of \$0.4 million or \$0.01 per share in the second quarter of 2016. Adjusted net income excludes amortization, stock-based compensation, restructuring costs, acquisition costs, deferred tax asset valuation allowance, other non-recurring charges and the related income tax effect of these adjustments.

Net loss in the second quarter of 2017 included non-recurring expenses of \$3.6 million (\$0.06 per share) primarily associated with restructuring, severance and IP litigation. Net loss in the second quarter of 2016 included non-recurring expenses and taxes of \$3.1 million (\$0.06 per share) primarily associated with severance, IP litigation and a deferred tax asset valuation allowance.

### **Adjusted EBITDA**

Adjusted EBITDA for the second quarter of 2017 was \$3.7 million or \$0.07 per share, as compared to \$4.6 million or \$0.08 per share in the second quarter of 2016. 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.

A reconciliation of the non-GAAP financial measures to GAAP measures has been provided in the financial tables included in this press release. An explanation of the non-GAAP financial measures and how they are calculated is included below under the heading "Non-GAAP Financial Measures."

### **Cash and Cash Equivalents**

The Company's cash balance was \$58.1 million at June 30, 2017, including \$3.8 million of cash being used as collateral for foreign currency hedging instruments. During the second quarter of 2017, the Company generated approximately \$8.5 million of cash from operations, and incurred capital expenditures of approximately \$4.3 million. The Company also spent approximately \$0.8 million to repurchase shares of its common stock. As of June 30, 2017, approximately \$18.4 million remained available for purchases under the previously announced stock repurchase program.

### **Financial Expectations**

The Company is raising its previously issued 2017 revenue guidance due to the second quarter 2017 outperformance and expectations for continued sequential improvements from a renewed focus on selling and completing the transition to LiveEngage in the third quarter. Updated revenue guidance for full-year 2017 is now \$213 million to \$216 million as compared to previously issued guidance of \$204 million to \$209 million.

The Company also plans to exceed the low end of the previously issued guidance ranges for GAAP net income and adjusted EBITDA, while simultaneously reinvesting 2017 revenue upside into long-term growth opportunities such as its highly successful customer events, the IBM partnership and work with Apple Business Chat.

The Company successfully wound down its legacy infrastructure and recorded related restructuring charges in June, one month ahead of plan. Therefore, LivePerson is reducing expectations for third quarter restructuring and severance charges to \$0.2 million to \$0.4 million from previously issued guidance of \$2.0 million to \$2.2 million. The Company continues to expect \$6.0 million to \$6.5 million of non-recurring legal expense for full year 2017.

The Company's detailed financial expectations are as follows:

Third Quarter 2017

|                                   | <b>Guidance</b>     |
|-----------------------------------|---------------------|
| Revenue (in millions)             | \$54.0 - \$55.0     |
| GAAP net loss per share           | \$(0.03) - \$(0.00) |
| Adjusted net income per share     | \$0.04 - \$0.06     |
| Diluted adjusted EBITDA per share | \$0.12 - \$0.15     |
| Adjusted EBITDA (in millions)     | \$7.1 - \$8.4       |
| Fully diluted share count         | 56.6 million        |

Full Year 2017

|                                       | <b>Updated Guidance</b> | <b>Previous Guidance</b> |
|---------------------------------------|-------------------------|--------------------------|
| Revenue (in millions)                 | \$213.0 - \$216.0       | \$204.0 - \$209.0        |
| GAAP net loss per share               | \$(0.34) - \$(0.28)     | \$(0.40) - \$(0.31)      |
| Diluted adjusted net income per share | \$0.07 - \$0.11         | \$0.07 - \$0.12          |
| Diluted adjusted EBITDA per share     | \$0.32 - \$0.37         | \$0.30 - \$0.37          |
| Adjusted EBITDA (in millions)         | \$18.0 - \$21.3         | \$17.3 - \$21.3          |
| Fully diluted share count             | 56.5 million            | 56.8 million             |

Other Full Year 2017 Assumptions

- Estimated non-recurring and restructuring charges of \$2.8 million to \$3.0 million (\$0.05 per share) tied to winding down the Legacy offering and realigning around our LiveEngage strategy
- Estimated non-recurring legal expense of \$6.0 million to \$6.5 million (\$0.11 per share) related to litigation
- A negative foreign exchange impact on revenue of approximately \$1.0 million
- Amortization of purchased intangibles of approximately \$4.8 million
- Stock-based compensation expense of approximately \$8.6 million
- Depreciation of approximately \$12.0 million
- Cash taxes paid of \$1.0 million to \$3.0 million. Adjusted net income tax rate of approximately 35%
- Capital expenditures of approximately \$14.5 million

**\*Changes to Future and Historical Presentation of Non-GAAP Financial Measures**

Note that in 2017, the Company updated the methodology for calculating adjusted net income. Whereas the Company previously incorporated the GAAP tax rate into its calculation, the Company now starts with GAAP pre-tax profit (loss), adds back restructuring, non-recurring and non-cash expenses, and then applies 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. A full reconciliation of 2016 adjusted net income under the historical and updated methodologies is available on the Supplemental Second Quarter Earnings Presentation that you may find on the investor relations section of the Company's web site at <http://www.liveperson.com/company/ir>.

## Stock-Based Compensation

Included in the accompanying financial results are expenses related to stock-based compensation, as follows (in thousands):

|                            | Three Months Ended |          | Six Months Ended |          |
|----------------------------|--------------------|----------|------------------|----------|
|                            | June 30,           |          | June 30,         |          |
|                            | 2017               | 2016     | 2017             | 2016     |
| Cost of revenue            | \$ 117             | \$ 211   | \$ 193           | \$ 221   |
| Sales and marketing        | 754                | 804      | 1,408            | 1,434    |
| General and administrative | 774                | 941      | 1,436            | 1,793    |
| Product development        | 702                | 1,070    | 1,223            | 1,897    |
| Total                      | \$ 2,347           | \$ 3,026 | \$ 4,260         | \$ 5,345 |

## Amortization of Purchased Intangibles

Included in the accompanying financial results are expenses related to the amortization of purchased intangibles, as follows (in thousands):

|                                       | Three Months Ended |          | Six Months Ended |          |
|---------------------------------------|--------------------|----------|------------------|----------|
|                                       | June 30,           |          | June 30,         |          |
|                                       | 2017               | 2016     | 2017             | 2016     |
| Cost of revenue                       | \$ 959             | \$ 697   | \$ 1,918         | \$ 1,394 |
| Amortization of purchased intangibles | 470                | 1,017    | 942              | 1,941    |
| Total                                 | \$ 1,429           | \$ 1,714 | \$ 2,860         | \$ 3,335 |

## Supplemental Second Quarter 2017 Presentation

LivePerson will post a presentation providing supplemental information for the second quarter 2017 on the investor relations section of the Company's web site at <http://www.liveperson.com/ir>.

## Earnings Teleconference and Video Discussion Information

The Company will discuss its second quarter 2017 financial results during a teleconference today, July 26, 2017. To participate via telephone, callers should dial in five to ten minutes prior to the 5:00 p.m. Eastern start time; domestic callers (U.S. and Canada) should dial 877-507-3684, while international callers should dial 928-328-1244, and both should reference the conference ID "36774595."

The conference call will also be simulcast live on the Internet and can be accessed by logging onto the investor relations section of the Company's web site at <http://www.liveperson.com/company/ir>.

If you are unable to participate in the live call, the teleconference will be available for replay approximately two hours after the call. To access the replay, please call 855-859-2056 (U.S. and Canada) or 404-537-3406 (international). Please reference the conference ID "36774595." A replay will also be available on the investor relations section of the Company's web site at <http://www.liveperson.com/company/ir>.

## About LivePerson

LivePerson, Inc. (NASDAQ: LPSN) is a leading provider of cloud-based mobile and online business messaging solutions, enabling a meaningful connection between brands and consumers. LiveEngage, the Company's enterprise-class platform, empowers consumers to stop wasting time on hold with 1-800 numbers, and instead message their favorite brands, just as they do with friends and family. More than 18,000 businesses, including Adobe, Citibank,



HSBC, EE, IBM, L'Oreal, Orange, PNC and The Home Depot rely on the unparalleled intelligence, security and scalability of LiveEngage to reduce costs, increase lifetime value and create meaningful connection with consumers.

For more information, please visit [www.liveperson.com](http://www.liveperson.com). To view other global press releases about LivePerson, please visit [pr.liveperson.com](http://pr.liveperson.com).

#### *Non-GAAP Financial Measures*

Investors are cautioned that the following financial measures used in this press release are defined as “non-GAAP financial measures” by the Securities and Exchange Commission: adjusted EBITDA, or earnings/(loss) before provision for (benefit from) income taxes, other (income)/expense, depreciation and amortization, stock-based compensation, restructuring costs, acquisition costs and other non-recurring charges; and adjusted net income, or net income excluding amortization, stock-based compensation, restructuring costs, acquisition costs, deferred tax asset valuation allowance, other non-recurring charges and the related income tax effect of these adjustments. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation. In addition, although we have provided a reconciliation of these measures to the nearest comparable GAAP measures, they should not be construed as alternatives to any other measures of performance determined in accordance with generally accepted accounting principles, or as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We present this financial information because we believe that it is helpful to some investors as a measure of our performance. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

A reconciliation of non-GAAP financial information to GAAP financial information is not a financial measure under generally accepted accounting principles (GAAP). In addition, non-GAAP financial information should not be construed as an alternative to any other measures of performance determined in accordance with GAAP, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities as there may be significant factors or trends that it fails to address. We present non-GAAP financial information because we believe that it is helpful to some investors as one measure of our operations.

#### *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.

**LivePerson, Inc.**  
**Condensed Consolidated Statements of Operations**  
(In Thousands, Except Share and Per Share Data)  
(Unaudited)

|   | Three Months Ended |            | Six Months Ended |             |
|---|--------------------|------------|------------------|-------------|
|   | June 30,           |            | June 30,         |             |
|   | 2017               | 2016       | 2017             | 2016        |
| Revenue   | \$ 54,074          | \$ 56,679  | \$ 104,993       | \$ 112,144  |
| Costs and expenses:   |                    |            |                  |             |
| Cost of revenue   | 15,134             | 17,508     | 28,915           | 33,372      |
| Sales and marketing   | 23,392             | 23,088     | 45,092           | 45,764      |
| General and administrative                                  | 10,437             | 10,161     | 20,130           | 19,690      |
| Product development   | 9,326              | 10,719     | 19,285           | 19,933      |
| Restructuring costs   | 2,076              | —          | 2,315            | —           |
| Amortization of purchased intangibles                       | 470                | 1,017      | 942              | 1,941       |
| Total costs and expenses                                    | 60,835             | 62,493     | 116,679          | 120,700     |
| Loss from operations  | (6,761)            | (5,814)    | (11,686)         | (8,556)     |
| Other (expense) income, net                                 | (99)               | (646)      | 221              | (12)        |
| Loss before provision for income taxes                      | (6,860)            | (6,460)    | (11,465)         | (8,568)     |
| Provision for income taxes                                  | 673                | 1,306      | 1,744            | 1,861       |
| Net loss  | \$ (7,533)         | \$ (7,766) | \$ (13,209)      | \$ (10,429) |
| Net loss per share of common stock:                         |                    |            |                  |             |
| Basic   | \$ (0.13)          | \$ (0.14)  | \$ (0.24)        | \$ (0.19)   |
| Diluted   | \$ (0.13)          | \$ (0.14)  | \$ (0.24)        | \$ (0.19)   |
| Weighted-average shares used to compute net loss per share: |                    |            |                  |             |
| Basic   | 55,954,158         | 55,965,525 | 55,964,568       | 56,174,603  |
| Diluted   | 55,954,158         | 55,965,525 | 55,964,568       | 56,174,603  |

**LivePerson, Inc.**  
**Reconciliation of Non-GAAP Financial Information to GAAP**  
(In Thousands, Except Share and Per Share Data)  
(Unaudited)

|  | Three Months Ended   |                          | Six Months Ended     |                            |
|--|----------------------|--------------------------|----------------------|----------------------------|
|  | June 30,             |                          | June 30,             |                            |
|  | 2017                 | 2016                     | 2017                 | 2016                       |
| <b>Reconciliation of Adjusted EBITDA <sup>(1)</sup>:</b>                     |                      |                          |                      |                            |
| GAAP net loss  | \$ (7,533)           | \$ (7,766)               | \$ (13,209)          | \$ (10,429)                |
| Add/(less):  |                      |                          |                      |                            |
| Amortization of purchased intangibles  | 1,429                | 1,714                    | 2,860                | 3,335                      |
| Stock-based compensation   | 2,347                | 3,026                    | 4,260                | 5,345                      |
| Depreciation   | 3,045                | 3,628                    | 5,838                | 6,794                      |
| Other non-recurring costs  | 1,534 <sup>(2)</sup> | 2,054 <sup>(4)</sup>     | 3,358 <sup>(2)</sup> | 2,438 <sup>(6)</sup>       |
| Restructuring costs  | 2,075 <sup>(3)</sup> | —                        | 2,315 <sup>(5)</sup> | —                          |
| Provision for income taxes   | 673                  | 1,306                    | 1,744                | 1,861                      |
| Other expense (income), net  | 99                   | 646                      | (221)                | 12                         |
| Adjusted EBITDA <sup>(1)</sup>   | <u>\$ 3,669</u>      | <u>\$ 4,608</u>          | <u>\$ 6,945</u>      | <u>\$ 9,356</u>            |
| Diluted adjusted EBITDA per common share                                     | <u>\$ 0.07</u>       | <u>\$ 0.08</u>           | <u>\$ 0.12</u>       | <u>\$ 0.17</u>             |
| Weighted average shares used in diluted adjusted EBITDA per common share     | <u>56,343,734</u>    | <u>56,234,050</u>        | <u>56,300,170</u>    | <u>56,415,576</u>          |
| <b>Reconciliation of Adjusted Net Income: <sup>(9)</sup></b>                 |                      |                          |                      |                            |
| Pre-tax GAAP loss <sup>(9)</sup>   | \$ (6,860)           | \$ (6,460)               | \$ (11,465)          | \$ (8,568)                 |
| Add/(less):  |                      |                          |                      |                            |
| Amortization of purchased intangibles  | 1,429                | 1,714                    | 2,860                | 3,335                      |
| Stock-based compensation   | 2,347                | 3,026                    | 4,260                | 5,345                      |
| Other non-recurring costs  | 1,534 <sup>(2)</sup> | 2,404 <sup>(7)</sup>     | 3,358 <sup>(2)</sup> | 2,788 <sup>(8)</sup>       |
| Restructuring costs  | 2,075 <sup>(3)</sup> | —                        | 2,315 <sup>(5)</sup> | —                          |
| Pre-tax adjusted net income  | <u>525</u>           | <u>684</u>               | <u>1,328</u>         | <u>2,900</u>               |
| Income tax effect of non-GAAP items  | (184) <sup>(9)</sup> | (239) <sup>(9)(10)</sup> | (465) <sup>(9)</sup> | (1,015) <sup>(9)(10)</sup> |
| Adjusted net income  | <u>\$ 341</u>        | <u>\$ 445</u>            | <u>\$ 863</u>        | <u>\$ 1,885</u>            |
| Diluted adjusted net income per common share                                 | <u>\$ 0.01</u>       | <u>\$ 0.01</u>           | <u>\$ 0.02</u>       | <u>\$ 0.03</u>             |
| Weighted average shares used in diluted adjusted net income per common share | <u>56,343,734</u>    | <u>56,234,050</u>        | <u>56,300,170</u>    | <u>56,415,576</u>          |

<sup>(1)</sup> Earnings/(loss) before 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.

<sup>(2)</sup> Includes litigation costs of \$1.5 million and \$3.4 million for the three and six months ended June 30, 2017, respectively.

<sup>(3)</sup> Includes wind down costs of legacy platform of \$1.8 million and severance costs of \$0.3 million for the three months ended June 30, 2017.

<sup>(4)</sup> Includes litigation costs of \$1.6 million and severance costs of \$0.5 million for the three months ended June 30, 2016.

<sup>(5)</sup> Includes wind down costs of legacy platform of \$1.9 million and severance costs of \$0.4 million for the three months ended June 30, 2017.

<sup>(6)</sup> Includes litigation costs of \$1.9 million and severance costs of \$0.5 million for the six months ended June 30, 2016.

<sup>(7)</sup> Includes litigation costs of \$1.6 million, write off of office facility depreciation of \$0.3 million and severance costs of \$0.5 million for the three months ended June 30, 2016.

<sup>(8)</sup> Includes litigation costs of \$1.9 million, write off of office facility depreciation of \$0.3 million and severance costs of \$0.5 million for the six months ended June 30, 2016.

<sup>(9)</sup> The Company's non-GAAP income tax effect for the current period uses a long-term projected tax rate of 35%.

<sup>(10)</sup> During 2017, the Company updated the methodology for calculating adjusted net income. In 2016, the Company incorporated the GAAP tax rate into the calculation, whereas in 2017, the Company now starts the calculation with GAAP pre-tax (loss) income, then adds back amortization, stock-based compensation, other non-recurring, restructuring, and then applies a standardized 35% tax rate. The prior period, June 30, 2016, was adjusted to conform to the current period presentation.

**LivePerson, Inc.**  
**Reconciliation of Non-GAAP Financial Information to GAAP - (continued)**  
(In Thousands)  
(Unaudited)

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | June 30,           |                  | June 30,         |                  |
|   | 2017               | 2016             | 2017             | 2016             |
| <b>Reconciliation of Net Cash Provided By Operating Activities:</b> |                    |                  |                  |                  |
| Adjusted EBITDA <sup>(1)</sup>                                      | \$ 3,669           | \$ 4,608         | \$ 6,945         | \$ 9,356         |
| Add/(less):   |                    |                  |                  |                  |
| Changes in operating assets and liabilities                         | 5,137              | 9,303            | (920)            | 6,429            |
| Provision for doubtful accounts                                     | 507                | 322              | 958              | 707              |
| Provision for income taxes  | (673)              | (1,306)          | (1,744)          | (1,861)          |
| Deferred income taxes   | 8                  | 332              | (13)             | 144              |
| Amortization of tenant allowance                                    | (83)               | —                | (83)             | —                |
| Other (expense) income, net   | (99)               | (646)            | 221              | (12)             |
| Net cash provided by operating activities                           | <u>\$ 8,466</u>    | <u>\$ 12,613</u> | <u>\$ 5,364</u>  | <u>\$ 14,763</u> |

<sup>(1)</sup> Earnings/(loss) before 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.

**LivePerson, Inc.**  
**Reconciliation of Projected Non-GAAP Financial Information to GAAP**  
(In Thousands)  
(Unaudited)

|   | <b>Three Months Ended</b> | <b>Twelve Months Ended</b> |
|---|---------------------------|----------------------------|
|   | <b>September 30, 2017</b> | <b>December 31, 2017</b>   |
| <b>Reconciliation of Projected Adjusted EBITDA:</b>     |                           |                            |
| GAAP net loss   | \$(1,800) - \$(300)       | \$(19,000) - \$(15,500)    |
| Add/(less):   |                           |                            |
| Amortization of purchased intangibles                   | 1,200                     | 4,800                      |
| Stock-based compensation                                | 2,100                     | 8,600                      |
| Depreciation  | 3,000                     | 12,000                     |
| Other non-recurring costs                               | 2,100 - 2,300             | 9,300 - 9,500              |
| Other income  | —                         | (200) - (200)              |
| Provision for income taxes                              | 400 - 100                 | 2,500 - 2,100              |
| Adjusted EBITDA   | <u>\$7,100 - \$8,400</u>  | <u>\$18,000 - \$21,300</u> |
| <b>Reconciliation of Projected Adjusted Net Income:</b> |                           |                            |
| Pre-tax GAAP loss                                       | \$(1,400) - \$(200)       | \$(16,500) - \$(13,400)    |
| Add/(less):   |                           |                            |
| Amortization of purchased intangibles                   | 1,200                     | 4,800                      |
| Stock-based compensation                                | 2,100                     | 8,600                      |
| Other non-recurring costs                               | 2,100 - 2,300             | 9,300 - 9,500              |
| Pre-tax adjusted income                                 | <u>4,000 - 5,400</u>      | <u>6,200 - 9,500</u>       |
| Non-GAAP income tax effect                              | (1,400) - (1,900)         | (2,200) - (3,300)          |
| Adjusted net income                                     | <u>\$2,600 - \$3,500</u>  | <u>\$4,000 - \$6,200</u>   |

**LivePerson, Inc.**  
**Condensed Consolidated Balance Sheets**  
(In Thousands)

|  | <u>June 30, 2017</u> | <u>December 31, 2016</u> |
|--|----------------------|--------------------------|
|  | (Unaudited)          |                          |
| <b>ASSETS</b>                                  |                      |                          |
| <b>CURRENT ASSETS:</b>                         |                      |                          |
| Cash and cash equivalents                      | \$ 54,365            | \$ 50,889                |
| Cash held as collateral                        | 3,757                | 3,962                    |
| Accounts receivable, net                       | 24,854               | 31,823                   |
| Prepaid expenses and other current assets      | 9,344                | 5,477                    |
| Total current assets                           | <u>92,320</u>        | <u>92,151</u>            |
| Property and equipment, net                    | 29,690               | 28,397                   |
| Intangibles, net                               | 13,951               | 16,510                   |
| Goodwill                                       | 80,423               | 80,245                   |
| Deferred tax assets                            | 786                  | 773                      |
| Other assets                                   | 1,593                | 1,562                    |
| Total assets                                   | <u>\$ 218,763</u>    | <u>\$ 219,638</u>        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>    |                      |                          |
| <b>CURRENT LIABILITIES:</b>                    |                      |                          |
| Accounts payable                               | \$ 3,448             | \$ 7,288                 |
| Accrued expenses and other current liabilities | 36,981               | 40,250                   |
| Deferred revenue                               | 36,621               | 27,145                   |
| Total current liabilities                      | <u>77,050</u>        | <u>74,683</u>            |
| Other liabilities                              | 2,951                | 3,147                    |
| Deferred tax liability                         | 3,832                | 3,332                    |
| Total liabilities                              | <u>83,833</u>        | <u>81,162</u>            |
| Commitments and contingencies                  |                      |                          |
| Total stockholders' equity                     | 134,930              | 138,476                  |
| Total liabilities and stockholders' equity     | <u>\$ 218,763</u>    | <u>\$ 219,638</u>        |

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