



Third Quarter 2016

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 markets for digital engagement technology, and web and mobile based consumer-facing services, and online consumer services; 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; responding to rapid technological change and changing client preferences; 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; impairments to goodwill that result in significant charges to earnings; the adverse effect that the global economic downturn may have on our business and results of operations; 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; our ability to expand our operations internationally; failures or security breaches in our services, those of our third party providers, or in the websites of our customers; 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; risks related to technological or other defects disrupting our 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; risks associated with the recent volatility in the capital markets; our ability to secure additional financing to execute our business strategy; 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; our ability to license necessary third party software for use in our products and services, and our ability to successfully integrate third party software; changes in accounting principles generally accepted in the United States; 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; 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



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

WHEN ROBERT LOCASIO 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. LoCasio thought that offering a chat platform would let them better manage the relationship. Now, New York City-based LivePerson has revenue of \$250 million and 1,000 employees in eight countries, giving life to LoCasio'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, the third is how we connect with 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." I was able to connect the chat capsaicin support line.



MOVING ON
 LIVEPERSON

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 other way to call has an 800 number to call.

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.

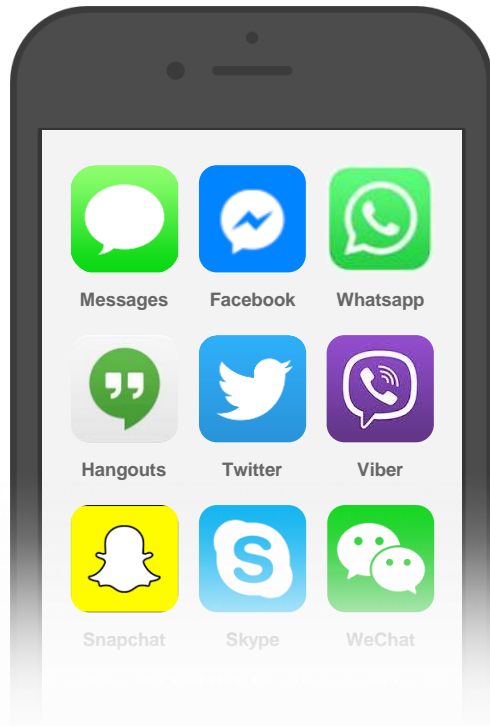
48
 PERCENT FEEL UNHELPED.

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

From Meaningful to Transformational



3Q:16 Highlights

- **Changing the fabric of the customer care industry:**
 - Holds seminal invitation-only messaging summit with more than 40 leading global brands
 - On track to have scaled, referenceable, marquee messaging customers in each key region of the globe by year end
 - Expands platform to support messages that initiate from mobile search
- **Demonstrates full power of LiveEngage as T-Mobile leverages platform across apps, SMS, Facebook Messenger, and the web**
- **Maintains ARPU for mid-market/enterprise at record level above \$200,000**
- **On track for \$14 million YoY expense reduction in 2016, despite duplicate product costs and one-time spending of \$5 million to upgrade customers**
- **YTD operating cash flow of \$16.6 million, up 52% versus same period last year**
- **Third consecutive quarter of 100%-plus deferred revenue growth as we emphasize longer-term contracts and billing annually in advance**

LiveEngage Momentum

Advancing Through Later Stages of Migration

	4Q:15	1Q:16	2Q:16	3Q:16
% Customers on LiveEngage	45%	57%	72%	79%
% Software RMR on LiveEngage			24%	37%
% Software RMR including Migration Funnel			60%	73%

*Note: RMR is recurring monthly revenue. 73% in 3Q:16 includes 37% on LiveEngage plus 36% currently in funnel to be migrated.

Strong Initial Leading Indicators

Same-Customer YoY Usage Growth	> 10%
LiveEngage \$ Renewal Rate	> 100%

Full Service Brands With > 1 Interaction Type

LiveEngage 3Q:16	LivePerson 3Q:15
~ 25%	~ 10%

Increased Mobile Adoption

Legacy Interactions on Mobile	LiveEngage Interactions on Mobile
< 10%	> 20%

- Awarded SIIA's coveted CODiE in 2016 for best sales and marketing mobile application and 2015 for best customer success management solution

Select Pro-Forma Guidance Measures¹

	4Q:16	Updated 2016 Guidance	Previous 2016 Guidance
Revenue	\$55.8 - \$56.8	\$222.5 - \$223.5	\$221.0 - \$225.0
Gross Margin	72%	71%	70%
GAAP Net Loss	\$(2.5) - \$(1.8)	\$(18.8) - \$(18.1)	\$(18.8) - \$(15.9)
Adjusted EBITDA	\$5.2 - \$5.6	\$19.1 - \$19.6	\$18.2 - \$20.5
Adjusted EBITDA Margin	9.6%	8.7%	8.7%
YoY FX Impact	\$(1.6)	\$(3.6)	(\$3.0)

- Tracking to midpoint of previous 2016 revenue guidance range despite weaker British Pound
- Project 2H:16 revenue stable versus 1H
- Project 2H:16 adjusted EBITDA up ~ 8% versus 1H
- Project 2016 expenses \$14 million better than 2015, despite \$5 million of one-time upgrade costs
- Revised 2016 GAAP net loss includes \$2.2 million incremental GAAP tax (non-cash taxes).

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 9. 2016 margins are estimates based on midpoint of guidance. For detailed current financial expectations, please see our Press Release issued on November 8, 2016.

Non-GAAP Adjusted EBITDA Reconciliation¹

Guidance	4Q:16	2016
GAAP net income (loss)	\$(2.5) – \$(1.8)	\$(18.8) – \$(18.1)
Depreciation and amortization	\$4.1	\$18.7
Stock-based compensation	\$2.4	\$10.0
One-time charges	\$0.5	\$3.5
Provision for taxes	\$0.7 - \$0.4	\$5.8 - \$5.5
Adjusted EBITDA	\$5.2 - \$5.6	\$19.1 – \$19.6

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 November 8, 2016.