



# First Quarter 2018

Supplemental Earnings Call Slides



# Safe Harbor Provision

Statements in this presentation 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



**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

**DISRUPTER**

**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 our support staff.



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 type of 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.

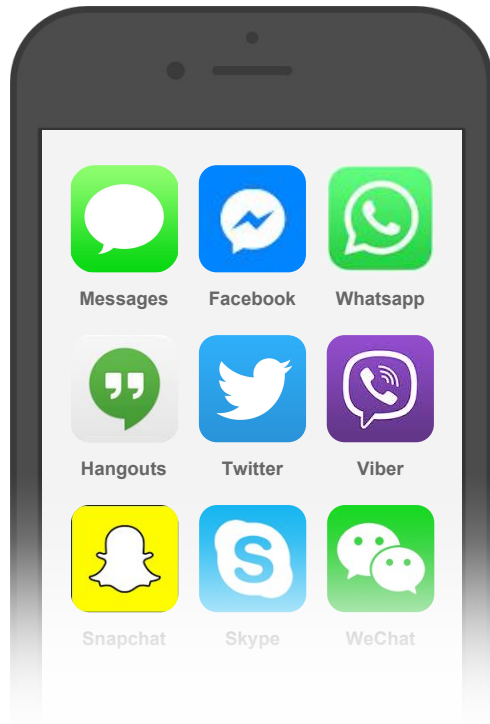
↓  
**48**  
PERCENT FEEL UNHELPED.

↓  
**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

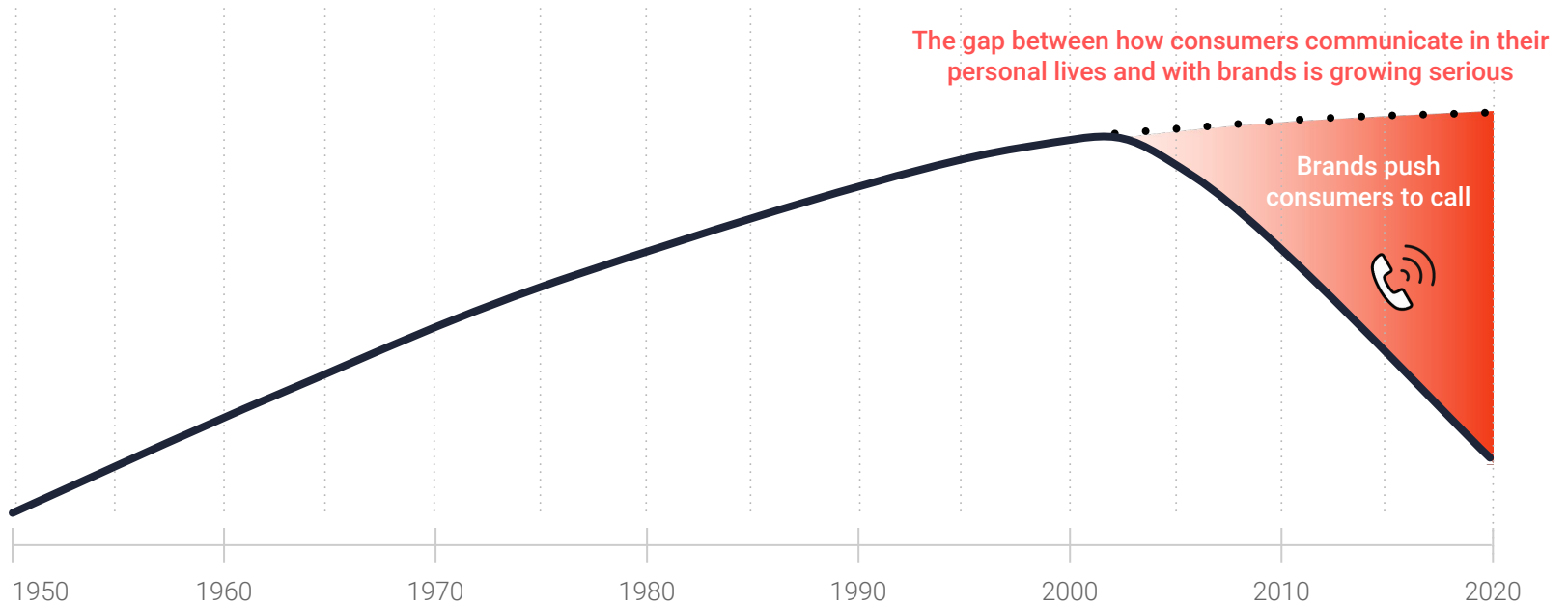
WhatsApp and Facebook Messenger alone carry **22 trillion messages per year.**

facebook

# There is a Growing Gap in Customer Care

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

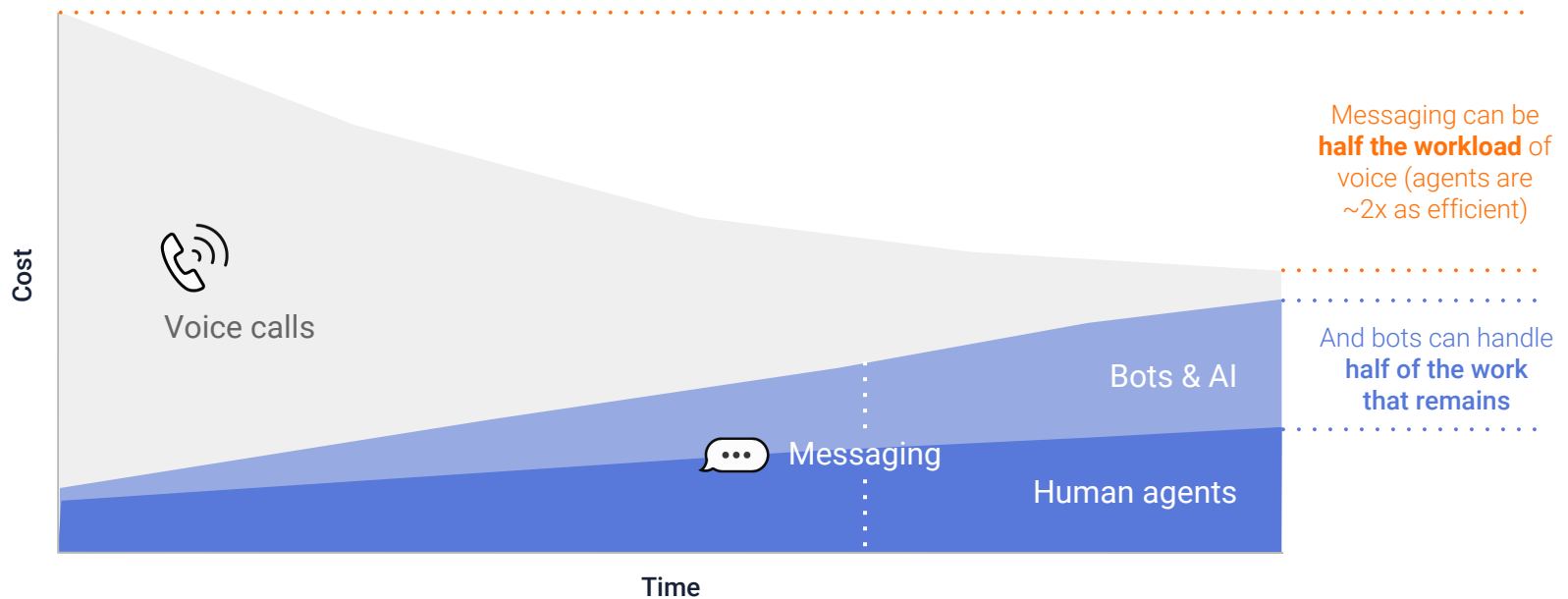
— Consumer phone call volumes



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# The Future is Mobile Messaging

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

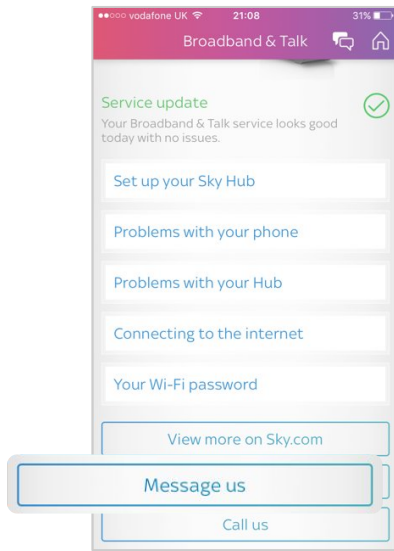


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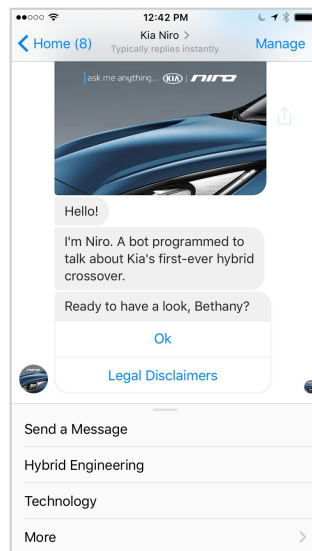
# LiveEngage Messaging Hub

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

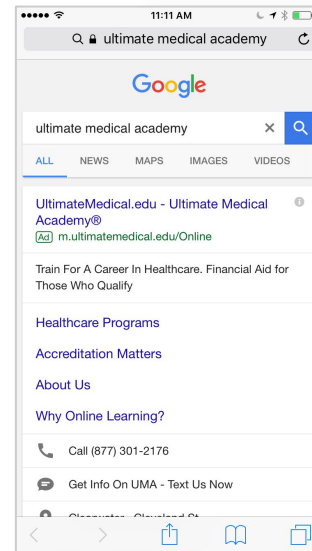
Consumers message their favorite brands whenever it suits them. In their pockets, 24-7.



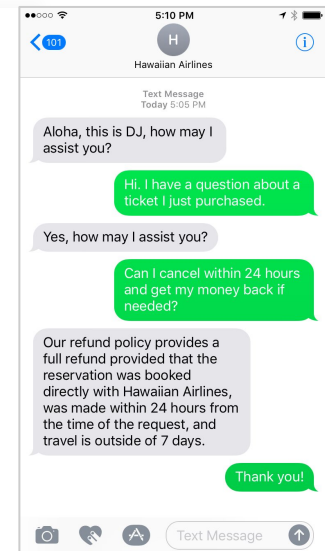
In-app



Messenger



Click-to-Message



SMS

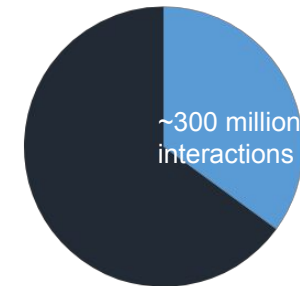
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# TAM of 270 Billion Conversations

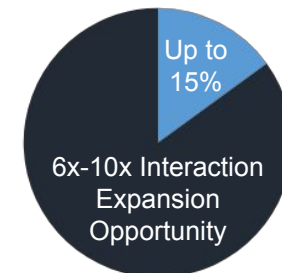
A Transformative Opportunity for Customer Care and LivePerson



Leading web chat share...



...but limited penetration of each contact center





# Recent Highlights

- **Strong start to 2018:**
  - Exceeded 1Q revenue and profit guidance
  - Returned to double-digit growth, with revenue up 14% year over year
  - Record contract signings over trailing six months
- **Raised midpoints of revenue and profit guidance ranges for 2018:**
  - Updated revenue guidance range calls sustained double-digit growth at midpoint
  - Updated adjusted EBITDA guidance calls for 140 bps year-over-year margin increase at midpoint of range
- **Major industry milestone reached with launch of Apple Business Chat:**
  - Messaging becomes extremely discoverable for millions of iOS users and provides for richer consumer experiences
  - Discover, Lowe's, The Home Depot and T-Mobile kick off beta launch
  - LivePerson has more beta launch customers than any other platform; two of the three launch brands featured by Apple were LivePerson customers
- **Leading indicators support growth trajectory:**
  - ARPU increased nearly 20% year over year to greater than \$240,000
  - Revenue retention, mobile adoption and interaction adoption set new records
  - Deferred revenue increased 68% year over year to record \$55 million

# LiveEngage Leading Indicators

LiveEngage Trend	1Q:17	2Q:17	3Q:17	4Q:17	1Q:18
Revenue Retention Rate*	100%+	100%+	100%+	100%+	100%+
Full Service Brands with > 1 Interaction Type	~30%	~30%	~33%	~ 34%	~35%
Interactions on Mobile	~35%	~35%	~40%	> 40%	~45%
Same-Customer YoY Usage Growth	> 10%	> 10%	> 10%	> 10%	> 10%
Trailing Twelve Month ARPU	~ \$200K	~ \$205K	> \$215K	>\$220K	> \$240K

\*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>

	2Q:18 Guidance	Updated 2018 Guidance	Previous 2018 Guidance
Revenue	\$59.0 - \$60.0	\$239.0 - \$243.0	\$237.0 - \$243.0
Gross Margin	~76.0%	~ 76.0%	~ 76.0%
GAAP Net Loss	\$(7.4) - \$(6.7)	\$(16.7) - \$(13.3)	\$(20.3) - \$(16.7)
Adjusted EBITDA	\$3.5 - \$4.1	\$22.0 - \$25.0	\$20.0 - \$23.0
Adjusted EBITDA Margin	5.9% - 6.9%	9.2% - 10.3%	8.4% - 9.5%

- Raised midpoint of 2018 revenue guidance by \$1 million, targeting double-digit growth
- Raised adjusted EBITDA guidance range by \$2 million, reflecting partial flow through of favorable impact on commission expense following completion of ASC 606 review and change in treatment
- Will reinvest majority of commission savings in areas of proven payback, including customer summits, partnerships, go-to-market resources and technical expertise
- Target 28% growth in adjusted EBITDA at midpoint of guidance; exit year at double-digit margin
- 2018 GAAP net loss includes approximately \$6.0 million of projected non-recurring legal fees

<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 May 3, 2018.

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

Guidance	2Q:18E	2018E
GAAP net loss	\$(7.4) – \$(6.7)	\$(16.7) – \$(13.3)
Depreciation & amortization	\$4.0	\$16.7
Stock-based compensation	\$3.4	\$13.5
Non-recurring charges	~\$1.7	~\$6.2
Provision for taxes	\$1.7 - \$1.6	\$2.5 - \$2.1
Other Income	\$0.0	\$(0.1)
Adjusted EBITDA	\$3.5 - \$4.1	\$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 May 3, 2018.