



# Second 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.

A silhouette of a man in a suit walking away from the camera on a dirt path. He is holding a hat in his right hand and a briefcase in his left. The background is a blurred landscape with trees and a bright sky. The text "The Consumer has Moved On" is overlaid in white, with a small orange horizontal line above the word "Consumer".

The Consumer has Moved On

270 BIL

customer service calls each year

85%

of callers are put on hold

67%

hang up

48%

feel unhelped



# Voice to Messaging



# 2Q:16 Highlights

- **Changing the fabric of the customer care industry:**
  - **LivePerson is first to deploy a large enterprise at scale on messaging**
  - **Millions of devices now provide always on connection via messaging**
  - **Signed other leading brands to deploy mobile solution in coming months**
- **A leading brand signed a new 7-figure contract to expand use of LiveEngage within just weeks of deploying our game-changing messaging solution**
- **ARPU for mid-market/enterprise was above \$200,000, in-line with 1Q:16 record**
- **On track for \$12 million YoY expense reduction in 2016, despite one-time spending of \$5 million to upgrade customers, plus duplicate product costs**
- **Second consecutive quarter of 100%-plus deferred revenue growth as we continue to emphasize billing annually in advance**
- **\$10 million of free cash flow generated, adding \$8 million cash to balance sheet**

# LiveEngage Momentum

## Entering Later Stages of Migration

	3Q:15	4Q:15	1Q:16	2Q:16
% Customers on LiveEngage	34%	45%	57%	> 70%

## Increased Mobile Adoption

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

## Revenue to Converge with Customer Count\*

% License RMR on LiveEngage	24%
% License RMR including Migration Funnel	60%

\*Note: RMR is recurring monthly revenue. 60% includes 24% on LiveEngage plus 36% currently in migration funnel.

## Brands With More than One Interaction Type

LiveEngage 2Q:16	LivePerson 2Q:15
22%	10%

## Strong Initial Leading Indicators

Same-Customer YoY Usage Growth	11%
Migrated Customer \$ Retention Rate	> 100%

- 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 Measures<sup>1</sup>

	3Q:16	2016
Revenue	\$54.0 - \$55.0	\$221.0 - \$225.0
Gross Margin	70%	70%
GAAP Net Loss	\$(5.1) - \$(3.9)	\$(18.8) - \$(15.9)
Adjusted EBITDA	\$3.8 - \$4.7	\$18.2 - \$20.5
Adjusted EBITDA Margin	7.8%	8.7%

- Reduces 2016 guidance due to:
  - \$2 million incremental FX
  - \$7 million delayed upsells tied to existing customer migrations
- 2H revenue stable versus 1H
- 2H adjusted EBITDA up ~ 7% versus 1H
- 2016 expenses \$12 million better than 2015, despite \$5 million of one-time upgrade costs

Previous 2016 Revenue Guidance	FX Impact	Delayed Upsells	Revised 2016 Revenue Guidance
\$230 - \$235	~ (\$2.0)	~ (\$7.0)	\$221 - \$225

<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 9. 2016 growth rates and margins are estimates based on midpoint of guidance. For detailed current financial expectations, please see our Press Release issued on July 27, 2016.



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

	3Q:16	2016
GAAP net income (loss)	(\$5.1) – (\$3.9)	(\$18.8) – (\$15.9)
Depreciation and amortization	\$4.7	\$19.5
Stock-based compensation	\$2.6	\$10.5
One-time charges	\$0.5	\$3.5
Provision (benefit) for taxes	\$1.1 - \$0.8	\$3.5 - \$2.9
Other income	\$0.0	\$0.0
Adjusted EBITDA	\$3.8 - \$4.7	\$18.2 – \$20.5

<sup>1</sup>Notes: 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 July 27, 2016.