

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024  
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from      to  
Commission File Number: 001-40750

Consensus Cloud Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

87-1139414

(I.R.S. Employer  
Identification Number)

700 S. Flower Street, 15th Floor  
Los Angeles, California 90017  
(Address of principal executive offices)  
(323) 860-9200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	CCSI	Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of November 4, 2024, there were approximately 19,303,598 shares of the registrant's common stock outstanding.

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**Part I - Financial Information**

**Item 1. Financial Statements.**

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited, in thousands except share and per share data)

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 54,598	\$ 88,715
Accounts receivable, net of allowances of \$5,441 and \$6,271, respectively	25,807	26,342
Prepaid expenses and other current assets	9,430	10,191
Total current assets	89,835	125,248
Property and equipment, net	96,342	81,196
Operating lease right-of-use assets	6,924	6,766
Intangibles, net	42,201	44,990
Goodwill	349,454	348,822
Deferred income taxes	33,319	34,869
Other assets	4,419	5,364
<b>TOTAL ASSETS</b>	<b>\$ 622,494</b>	<b>\$ 647,255</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable and accrued expenses	\$ 47,422	\$ 36,506
Income taxes payable, current	4,787	2,224
Deferred revenue, current	21,386	22,041
Operating lease liabilities, current	2,330	2,038
Current portion of long-term debt	9,366	8,575
Total current liabilities	85,291	71,384
Long-term debt, net of current portion	603,124	725,405
Deferred revenue, noncurrent	2,005	2,270
Operating lease liabilities, noncurrent	12,586	13,212
Liability for uncertain tax positions	11,887	9,740
Deferred income taxes	545	1,098
Other long-term liabilities	245	268
<b>TOTAL LIABILITIES</b>	<b>715,683</b>	<b>823,377</b>
Commitments and contingencies (Note 8)		
Common stock, \$0.01 par value. Authorized 120,000,000; total issued is 20,375,622 and 20,273,686 shares and total outstanding is 19,303,998 and 19,245,024 shares as of September 30, 2024 and December 31, 2023, respectively	204	203
Treasury stock, at cost (1,071,624 and 1,028,662 shares as of September 30, 2024 and December 31, 2023, respectively)	(31,990)	(31,282)
Additional paid-in capital	55,083	41,247
Accumulated deficit	(101,749)	(173,113)
Accumulated other comprehensive loss	(14,737)	(13,177)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(93,189)</b>	<b>(176,122)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 622,494</b>	<b>\$ 647,255</b>

See Notes to Condensed Consolidated Financial Statements

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited, in thousands except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 87,753	\$ 90,562	\$ 263,399	\$ 274,808
Cost of revenues <sup>(1)</sup>	17,658	16,853	51,828	51,607
Gross profit	70,095	73,709	211,571	223,201
Operating expenses:				
Sales and marketing <sup>(1)</sup>	12,500	15,319	36,776	49,719
Research, development and engineering <sup>(1)</sup>	2,034	1,677	5,582	5,346
General and administrative <sup>(1)</sup>	17,136	17,798	53,240	56,382
Total operating expenses	31,670	34,794	95,598	111,447
Income from operations	38,425	38,915	115,973	111,754
Interest expense	(9,760)	(12,615)	(24,616)	(37,998)
Interest income	659	1,519	2,175	2,184
Other (expense) income, net	(2,069)	3,725	2,496	3,445
Income before income taxes	27,255	31,544	96,028	79,385
Income tax expense	6,135	7,537	24,664	18,862
Net income	\$ 21,120	\$ 24,007	\$ 71,364	\$ 60,523
Net income per common share:				
Basic	\$ 1.09	\$ 1.22	\$ 3.71	\$ 3.07
Diluted	\$ 1.09	\$ 1.22	\$ 3.69	\$ 3.07
Weighted average shares outstanding:				
Basic	19,300,283	19,627,188	19,256,739	19,708,991
Diluted	19,442,130	19,647,855	19,321,274	19,730,765
<sup>(1)</sup> Includes share-based compensation expense as follows:				
Cost of revenues	\$ 465	\$ 309	\$ 1,449	\$ 939
Sales and marketing	592	375	1,856	1,134
Research, development and engineering	95	61	260	153
General and administrative	2,270	3,009	8,045	11,331
Total	\$ 3,422	\$ 3,754	\$ 11,610	\$ 13,557

**See Notes to Condensed Consolidated Financial Statements**

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 21,120	\$ 24,007	\$ 71,364	\$ 60,523
Other comprehensive gain (loss):				
Foreign currency translation adjustment	6,091	(6,238)	(1,560)	(4,131)
Other comprehensive gain (loss)	6,091	(6,238)	(1,560)	(4,131)
Comprehensive income	\$ 27,211	\$ 17,769	\$ 69,804	\$ 56,392

**See Notes to Condensed Consolidated Financial Statements**

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 71,364	\$ 60,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,968	13,053
Amortization of financing costs and discounts	1,387	1,526
Non-cash operating lease costs	1,158	1,304
Share-based compensation	11,610	13,557
Provision for doubtful accounts	3,220	4,409
Deferred income taxes, net	1,255	2,029
Gain on extinguishment of debt	(6,667)	—
Other	—	30
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(2,663)	(6,126)
Prepaid expenses and other current assets	759	7,144
Other assets	947	1,182
Increase (decrease) in:		
Accounts payable and accrued expenses	11,265	10,210
Income taxes payable	2,544	4,615
Deferred revenue	(924)	(2,088)
Operating lease liabilities	(1,726)	(1,578)
Liability for uncertain tax positions	2,147	2,323
Other liabilities	(23)	(34)
Net cash provided by operating activities	110,621	112,079
Cash flows from investing activities:		
Purchases of property and equipment	(25,460)	(28,725)
Purchase of investments	—	(4,000)
Net cash used in investing activities	(25,460)	(32,725)
Cash flows from financing activities:		
Proceeds from the issuance of common stock under employee stock purchase plan	747	871
Repurchase of common stock	(708)	(13,716)
Taxes paid related to net share settlement	(686)	(1,245)
Repurchase of debt	(116,162)	—
Net cash used in financing activities	(116,809)	(14,090)
Effect of exchange rate changes on cash and cash equivalents	(2,469)	(3,746)
Net change in cash and cash equivalents	(34,117)	61,518
Cash and cash equivalents at beginning of period	88,715	94,164
Cash and cash equivalents at end of period	\$ 54,598	\$ 155,682

See Notes to Condensed Consolidated Financial Statements

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(Unaudited, in thousands except share amounts)

	Common stock		Additional	Treasury stock		Accumulated	Accumulated other	Total
	Shares	Amount	paid-in capital	Shares	Amount	deficit	comprehensive loss	deficit
<b>Balance, July 1, 2023</b>	20,176,291	\$ 202	\$ 32,182	(527,668)	\$ (18,937)	\$ (213,892)	\$ (17,001)	\$ (217,446)
Net income	—	—	—	—	—	24,007	—	24,007
Foreign currency translation adjustment	—	—	—	—	—	—	(6,238)	(6,238)
Vested restricted stock	8,383	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(2,412)	—	(70)	—	—	—	—	(70)
Repurchase of common stock	—	—	—	(152,399)	(3,791)	—	—	(3,791)
Share-based compensation	—	—	4,250	—	—	—	—	4,250
<b>Balance, September 30, 2023</b>	<u>20,182,262</u>	<u>\$ 202</u>	<u>\$ 36,362</u>	<u>(680,067)</u>	<u>\$ (22,728)</u>	<u>\$ (189,885)</u>	<u>\$ (23,239)</u>	<u>\$ (199,288)</u>

	Common stock		Additional	Treasury stock		Accumulated	Accumulated other	Total
	Shares	Amount	paid-in capital	Shares	Amount	deficit	comprehensive loss	deficit
<b>Balance, July 1, 2024</b>	20,368,194	\$ 204	\$ 51,043	(1,071,624)	\$ (31,990)	\$ (122,869)	\$ (20,828)	\$ (124,440)
Net income	—	—	—	—	—	21,120	—	21,120
Foreign currency translation adjustment	—	—	—	—	—	—	6,091	6,091
Vested restricted stock	10,917	—	—	—	—	—	—	—
Shares withheld related to net share settlement	(3,489)	—	(71)	—	—	—	—	(71)
Share-based compensation	—	—	4,111	—	—	—	—	4,111
<b>Balance, September 30, 2024</b>	<u>20,375,622</u>	<u>\$ 204</u>	<u>\$ 55,083</u>	<u>(1,071,624)</u>	<u>\$ (31,990)</u>	<u>\$ (101,749)</u>	<u>\$ (14,737)</u>	<u>\$ (93,189)</u>



**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(Unaudited, in thousands except share amounts)

	Common stock		Additional	Treasury stock		Accumulated	Accumulated other	Total
	Shares	Amount	paid-in capital	Shares	Amount	deficit	comprehensive loss	deficit
<b>Balance, January 1, 2023</b>	20,105,545	\$ 201	\$ 21,650	(189,114)	\$ (7,596)	\$ (250,408)	\$ (19,108)	\$ (255,261)
Net income	—	—	—	—	—	60,523	—	60,523
Foreign currency translation adjustment	—	—	—	—	—	—	(4,131)	(4,131)
Vested restricted stock	82,503	1	(1)	—	—	—	—	—
Shares withheld related to net share settlement	(35,368)	—	(1,245)	—	—	—	—	(1,245)
Repurchase of common stock	—	—	—	(490,953)	(15,132)	—	—	(15,132)
Share-based compensation	—	—	15,087	—	—	—	—	15,087
Issuance of shares under ESPP	29,582	—	871	—	—	—	—	871
<b>Balance, September 30, 2023</b>	<u>20,182,262</u>	<u>\$ 202</u>	<u>\$ 36,362</u>	<u>(680,067)</u>	<u>\$ (22,728)</u>	<u>\$ (189,885)</u>	<u>\$ (23,239)</u>	<u>\$ (199,288)</u>

	Common stock		Additional	Treasury stock		Accumulated	Accumulated other	Total
	Shares	Amount	paid-in capital	Shares	Amount	deficit	comprehensive loss	deficit
<b>Balance, January 1, 2024</b>	20,273,686	\$ 203	\$ 41,247	(1,028,662)	\$ (31,282)	\$ (173,113)	\$ (13,177)	\$ (176,122)
Net income	—	—	—	—	—	71,364	—	71,364
Foreign currency translation adjustment	—	—	—	—	—	—	(1,560)	(1,560)
Vested restricted stock	96,912	1	(1)	—	—	—	—	—
Shares withheld related to net share settlement	(40,396)	—	(686)	—	—	—	—	(686)
Repurchase of common stock	—	—	—	(42,962)	(708)	—	—	(708)
Share-based compensation	—	—	13,776	—	—	—	—	13,776
Issuance of shares under ESPP	45,420	—	747	—	—	—	—	747
<b>Balance, September 30, 2024</b>	<u>20,375,622</u>	<u>\$ 204</u>	<u>\$ 55,083</u>	<u>(1,071,624)</u>	<u>\$ (31,990)</u>	<u>\$ (101,749)</u>	<u>\$ (14,737)</u>	<u>\$ (93,189)</u>

See Notes to Condensed Consolidated Financial Statements

**CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**1. Basis of Presentation**

*The Company*

Consensus Cloud Solutions, Inc., together with its subsidiaries ("Consensus Cloud Solutions", "Consensus", the "Company", "our", "us" or "we"), is a provider of secure information delivery services with a scalable Software-as-a-Service ("SaaS") platform. Consensus serves approximately 825 thousand customers of all sizes, from enterprises to individuals, across approximately 45 countries and multiple industry verticals including healthcare, government, financial services, law and education. Beginning as an online fax company over two decades ago, Consensus has evolved into a global provider of enterprise secure communication solutions. Our communication and digital signature solutions enable our customers to securely and cooperatively access, exchange and use information across organizational, regional and national boundaries.

*Consensus Cloud Solutions, Inc. Spin-Off*

On September 21, 2021, J2 Global, Inc., known since October 7, 2021 as Ziff Davis, Inc. ("Ziff Davis" or the "Former Parent") announced that its Board of Directors approved its separation of the Cloud Fax business (the "Separation" or the "Spin-Off"), into an independent publicly traded company, Consensus Cloud Solutions, Inc. On October 7, 2021, the Separation was completed and the Former Parent transferred certain assets and liabilities associated with its Cloud Fax business to Consensus, including the equity interests in J2 Cloud Services, LLC ("J2 Cloud Services"), in exchange for approximately \$259.1 million in cash, an asset related to \$500.0 million in aggregate principal amount of the 6.5% Senior Notes due in 2028, and the return of the assets and liabilities related to the non-fax business back to Ziff Davis. On October 8, 2021, Consensus began trading on the Nasdaq Stock Market LLC ("Nasdaq") under the stock symbol "CCSI". Ziff Davis retained a 19.9% interest in Consensus following the Separation. Subsequently, Ziff Davis has sold, or otherwise disposed of, its Consensus shares, reducing its beneficial ownership in the Company to zero as of September 30, 2024 (see Note 15 - Related Party Transactions).

*Principles of Consolidation*

The accompanying interim condensed consolidated financial statements include the accounts of Consensus and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

*Basis of Presentation*

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The Company believes that the disclosures made are adequate to make that information not misleading. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of these interim financial statements have been reflected. It is suggested that these financial statements be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2023, included in our Annual Report (Form 10-K) filed with the SEC on February 28, 2024. Accordingly, significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed therein.

The results of operations for this interim period are not necessarily indicative of the operating results for the full year or for any future period.

*Use of Estimates*

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, including judgments about the reported amounts of revenue and expenses during the reporting period. The Company believes that its most significant estimates are those related to revenue recognition, internal-use software development costs, share-based

compensation expense and income taxes. On an ongoing basis, management evaluates its estimates based on historical experience and on various other factors that the Company believes to be reasonable under the circumstances. Actual results could materially differ from those estimates due to risks and uncertainties, including uncertainty in the current economic environment due to factors such as inflationary pressures and elevated interest rates.

#### *Significant Accounting Policies*

There have been no material changes to our significant accounting policies from our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### *Segment Reporting*

Financial Accounting Standards Board ("FASB") ASC Topic No. 280, Segment Reporting ("ASC 280"), establishes standards for the way that public business enterprises report information about operating segments in their annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company's business segment is based on the organization's structure used by the chief operating decision maker, who is our chief executive officer (CEO), for making operating and investment decisions and for assessing performance. The Company's chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. The chief operating decision maker views the Company as one reportable segment known as Cloud Fax (see Note 14 - Segment Information).

#### *Reclassifications*

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

### **2. Recent Accounting Pronouncements**

In October 2023, the FASB issued ASU No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative, which amends the disclosure or presentation requirements of a variety of topics in the accounting standards codification in order to conform with certain SEC amendments in Release No. 33-10532, Disclosure Update and Simplification. The effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective. The Company is evaluating the potential impact of this guidance on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments in this ASU are effective for all fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is evaluating the potential impact of this guidance on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments are intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. The amendments in this ASU should be applied on either a prospective or retrospective basis. The amendments in this ASU are effective for fiscal periods beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the potential impact of this guidance on its consolidated financial statements.

### **3. Revenues**

The Company earns revenue from contracts with customers, primarily through the provision of cloud-based communication and digital signature solutions that allow customers to access the Company's software without taking possession. The contracts include both recurring subscription and usage-based fees, and the total transaction price is allocated to

performance obligations in each contract as appropriate. Revenue for cloud-based services is recognized over time in the period earned. The contracts may be terminated early. Fees collected in advance are non-refundable, and they are deferred and recognized in revenue when the related performance obligations are satisfied. Standard Corporate contracts billed monthly include a termination charge equal to the minimum fees payable through the last day of the contract term.

Revenues from external customers classified by revenue source are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues</b>				
Corporate	\$ 53,085	\$ 50,430	\$ 156,195	\$ 150,198
Small office home office ("SoHo")	34,664	40,129	107,197	124,588
Other	4	3	7	22
<b>Total</b>	<b>\$ 87,753</b>	<b>\$ 90,562</b>	<b>\$ 263,399</b>	<b>\$ 274,808</b>
<b>Timing of revenue recognition</b>				
Point in time	\$ 289	\$ 112	\$ 737	\$ 410
Over time	87,464	90,450	262,662	274,398
<b>Total</b>	<b>\$ 87,753</b>	<b>\$ 90,562</b>	<b>\$ 263,399</b>	<b>\$ 274,808</b>

The Company has recorded \$4.1 million and \$4.2 million of revenue for the three months ended September 30, 2024 and 2023, respectively, and \$18.6 million and \$20.2 million of revenue for the nine months ended September 30, 2024 and 2023, respectively, that was previously included in the deferred revenue balance as of the beginning of each respective year.

#### *Performance Obligations*

Generally, the Company's contracts with customers include one performance obligation, however, certain contracts may include multiple performance obligations. For such arrangements, revenues are allocated to each performance obligation based on their relative standalone selling price.

The Company satisfies its performance obligations upon delivery of products or services to its customers. Payment terms vary by type and location of the Company's customers and the products and services offered. The time between invoicing and when payment is due is not significant. Due to the nature of the services provided, there are no obligations for returns.

#### *Significant Judgments*

Determining whether products and services are considered distinct performance obligations may require significant judgment. When a contract includes both on-premises software licenses and cloud-based services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud-based service and recognized over time.

Judgment is also required to determine the standalone selling price for each distinct performance obligation when there are multiple performance obligations. In certain cases, the Company is able to establish the standalone selling price based on observable prices of products or services sold or priced separately in comparable circumstances to similar customers. The Company uses a range of amounts to estimate the standalone selling price when each of the products and services is sold separately to determine whether there is a discount to be allocated based on the relative standalone selling price of the various products and services.

#### *Performance Obligations Satisfied Over Time*

The Company's business consists primarily of performance obligations that are satisfied over time based on the fact that the nature of the cloud-based services offered is subscription based where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. Depending on the individual contracts with the customer, revenue for these services is recognized over the contract period when services are provided. The Company expects to recognize revenue for Corporate contracts typically in a range from month-to-month up to 36 months and recognize revenue for SoHo contracts in a range from month-to-month up to one year. Revenue from usage-

based fees is recognized in proportion to the amount for which the Company has the right to invoice for services performed, which corresponds with the utilization of the services by the customer.

The Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligations over time is a time-based measure. The Company recognizes revenue on a straight-line basis throughout the subscription period and believes that the method used is a faithful depiction of the transfer of goods and services.

#### *Practical Expedients*

##### Existence of a Significant Financing Component in a Contract

As a practical expedient, the Company has not assessed whether a contract has a significant financing component because the Company expects at contract inception that the period between payment by the customer and the transfer of promised goods or services by the Company to the customer will be one year or less. In addition, the Company has determined that the payment terms the Company provides to its customers are structured primarily for reasons other than the provision of finance to the Company. The Company typically charges an upfront subscription amount for services, or amount for usage in arrears, or a combination thereof, as other payment terms would affect the nature of the risk assumed by the Company due to the costs of the customer acquisition and the highly competitive and commoditized nature of the business the Company operates.

##### Costs to Fulfill a Contract

The Company's revenues are primarily generated from customer contracts that are for one year or less. Costs primarily consist of incentive compensation paid based on the achievements of sales targets in a given period for related revenue streams and are recognized in the month when the revenue is earned. Incentive compensation is paid upon the issuance or renewal of the customer contract. As a practical expedient, for amortization periods that are determined to be one year or less, the Company expenses any incremental costs of obtaining the contract with a customer when incurred. For those customer contracts greater than one year, the Company capitalizes and amortizes the expenses, when appropriate, over the period of benefit.

##### Revenues Invoiced

The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

#### **4. Fair Value Measurements**

The Company complies with the provisions of FASB ASC Topic No. 820, Fair Value Measurement, ("ASC 820"), which defines fair value, provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial and non-financial assets and liabilities. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- § Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- § Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- § Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include money market funds of \$43.1 million and \$72.1 million as of September 30, 2024 and December 31, 2023, respectively, which are valued based on Level 1 inputs consisting of quoted prices in active markets. The carrying value of the Company's cash and cash equivalents approximates fair value.

The fair value of long-term debt is determined using recent quoted market prices or dealer quotes for each of the Company's instruments, which are Level 1 inputs (see Note 7 - Long-Term Debt). The carrying value of long-term debt is reflected in the financial statements at cost.

#### **Assets Measured on a Non-Recurring Basis**

The Company's non-financial assets, which primarily consist of goodwill, indefinite-lived intangible assets, long-lived assets and equity securities without a readily determinable fair value are reported at carrying value, or at fair value as of their acquisition dates, and are not required to be measured at fair value on a recurring basis. However, if any of these types of assets become impaired, the carrying values of the assets are written down to fair value using Level 3 inputs.

### **5. Property and Equipment**

Property and equipment, stated at cost, as of September 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Internal-use software development costs	\$ 82,982	\$ 51,396
Computers, software and equipment	19,327	21,701
Furniture and fixtures	888	887
Leasehold improvements	1,720	1,720
Internal-use software development costs in process	43,508	48,022
	148,425	123,726
Less: Accumulated depreciation and amortization	(52,083)	(42,530)
Total property and equipment, net	\$ 96,342	\$ 81,196

Depreciation and amortization expense was \$4.1 million and \$3.3 million for the three months ended September 30, 2024 and 2023, respectively, and \$12.2 million and \$9.8 million for the nine months ended September 30, 2024 and 2023, respectively.

No impairment was recorded in the three and nine months ended September 30, 2024 and 2023.

### **6. Goodwill and Intangible Assets**

The changes in carrying amounts of goodwill for the nine months ended September 30, 2024 are as follows (in thousands):

	Amount
Balance as of January 1, 2024	\$ 348,822
Foreign exchange translation	632
Balance as of September 30, 2024	\$ 349,454

As of September 30, 2024 the Company's goodwill had no accumulated impairment.

Intangible Assets with Indefinite Lives:

Intangible assets are summarized as of September 30, 2024 and December 31, 2023 as follows (in thousands):

	September 30, 2024	December 31, 2023
Trade names	\$ 27,375	\$ 27,367
Other	4,045	4,045
Total	<u>\$ 31,420</u>	<u>\$ 31,412</u>

Intangible Assets Subject to Amortization:

As of September 30, 2024, intangible assets subject to amortization are summarized as follows (in thousands):

	Weighted-Average Remaining Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	0.3 years	\$ 8,215	\$ 7,901	\$ 314
Patent and patent licenses	0.0 years	54,341	54,341	—
Customer relationships <sup>(1)</sup>	2.2 years	108,604	99,652	8,952
Other purchased intangibles	1.3 years	11,927	10,412	1,515
Total		<u>\$ 183,087</u>	<u>\$ 172,306</u>	<u>\$ 10,781</u>

<sup>(1)</sup> The Company amortizes its customer relationship assets in a pattern that best reflects the pace in which the assets' benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first four to five years, which may not correlate to the overall life of the asset.

As of December 31, 2023, intangible assets subject to amortization are summarized as follows (in thousands):

	Weighted-Average Remaining Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	0.3 years	\$ 8,199	\$ 7,789	\$ 410
Patent and patent licenses	0.0 years	54,341	54,341	—
Customer relationships <sup>(1)</sup>	2.6 years	108,417	97,333	11,084
Other purchased intangibles	1.8 years	11,989	9,905	2,084
Total		<u>\$ 182,946</u>	<u>\$ 169,368</u>	<u>\$ 13,578</u>

<sup>(1)</sup> The Company amortizes its customer relationship assets in a pattern that best reflects the pace in which the assets' benefits are consumed. This pattern results in a substantial majority of the amortization expense being recognized in the first four to five years, which may not correlate to the overall life of the asset.

Expected amortization expenses for intangible assets subject to amortization at September 30, 2024 are as follows (in thousands):

Fiscal Year:	Amount
2024 (remainder)	\$ 911
2025	2,600
2026	2,093
2027	1,395
2028	986
Thereafter	2,796
Total	<u>\$ 10,781</u>

Amortization expense was \$1.0 million and \$1.0 million for the three months ended September 30, 2024 and 2023, respectively, and \$ 2.8 million and \$3.2 million for the nine months ended September 30, 2024 and 2023, respectively.

## 7. Long-Term Debt

Long-term debt as of September 30, 2024 and December 31, 2023 consists of the following (in thousands):

	September 30, 2024	December 31, 2023
2026 Senior Notes	\$ 255,532	\$ 280,014
2028 Senior Notes	362,696	462,414
<b>Total</b>	<b>618,228</b>	<b>742,428</b>
Less: deferred issuance costs	(5,738)	(8,448)
<b>Total debt</b>	<b>612,490</b>	<b>733,980</b>
Less: current portion, net of debt issuance costs	(9,366)	(8,575)
<b>Total long-term debt, less current portion</b>	<b>\$ 603,124</b>	<b>\$ 725,405</b>

As of September 30, 2024 and December 31, 2023, the estimated fair value of the 2026 Senior Notes was approximately \$ 254.9 million and \$266.0 million, respectively, and was based on quoted market prices or dealer quotes for the 2026 Senior Notes which are Level 1 inputs in the fair value hierarchy.

As of September 30, 2024 and December 31, 2023, the estimated fair value of the 2028 Senior Notes was approximately \$ 361.8 million and \$422.5 million, respectively, and was based on quoted market prices or dealer quotes for the 2028 Senior Notes which are Level 1 inputs in the fair value hierarchy.

At September 30, 2024, future contractual principal payments for debt were as follows (in thousands):

Fiscal year:	Total
2024 <sup>(1)</sup> (remainder)	\$ 9,111
2025	—
2026	248,980
2027	—
2028	360,137
Thereafter	—
<b>Total</b>	<b>\$ 618,228</b>

<sup>(1)</sup> The Company has reclassified \$6.5 million and \$2.6 million from the 2026 and 2028 periods, respectively, into the 2024 period as debt repurchases were made subsequent to September 30, 2024 but prior to the filing of these financial statements (see Note 16 - Subsequent Event).

The Company capitalized \$0.7 million and \$0.7 million of interest expense within property and equipment, net on the Company's Condensed Consolidated Balance Sheets during the three months ended September 30, 2024 and 2023, respectively, and \$2.1 million and \$1.8 million during the nine months ended September 30, 2024 and 2023, respectively.

### 2026 Senior Notes

On October 7, 2021, Consensus issued \$305.0 million of senior notes due in 2026 (the "2026 Senior Notes"), receiving net proceeds of \$301.2 million, after deducting the initial purchasers' discounts, commissions and offering expenses. The 2026 Senior Notes are presented as current portion of long-term debt and long-term debt, net of current portion, net of deferred issuance costs, on the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023. The 2026 Senior Notes bear interest at a rate of 6.0% per annum and mature on October 15, 2026.

The indenture pursuant to which the 2026 Senior Notes were issued contains covenants that restrict the Company's ability to (i) pay dividends or make distributions on the Company's common stock; (ii) make certain restricted payments; (iii) create liens or enter into sale and leaseback transactions; (iv) enter into transactions with affiliates; (v) merge or consolidate with another company; and (vi) transfer and sell assets. These covenants contain certain exceptions. Restricted payments are applicable only if Consensus Cloud Solutions, Inc. and subsidiaries designated as restricted subsidiaries has a net leverage ratio



of greater than 3.0 to 1.0. In addition, if such net leverage ratio is in excess of 3.0 to 1.0, the restriction on restricted payments is subject to various exceptions, including the total aggregate amount not to exceed the greater of (A) \$100.0 million and (B) 50.0% of EBITDA for the most recently ended four fiscal quarter period ended immediately prior to such date for which internal financial statements are available. The Company is in compliance with its debt covenants as of September 30, 2024.

#### *2028 Senior Notes*

On October 7, 2021, Consensus issued \$500.0 million of 6.5% senior notes due in 2028 (the "2028 Senior Notes") to Ziff Davis (see Note 15 - Related Party Transactions) in exchange for the equity interest in the Company. Ziff Davis then exchanged the 2028 Senior Notes with lenders under its credit agreement (or their affiliates) in exchange for extinguishment of a similar amount of indebtedness under such credit agreement for a total amount of \$483.8 million, after deducting the initial purchasers' discounts, commissions and offering expenses. The 2028 Senior Notes are presented as current portion of long-term debt and long-term debt, net of current portion, net of deferred issuance costs, on the Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023. The 2028 Senior Notes bear interest at a rate of 6.5% per annum and mature on October 15, 2028.

The indenture pursuant to which the 2028 Senior Notes were issued contains covenants that restrict the Company's ability to (i) pay dividends or make distributions on the Company's common stock; (ii) make certain restricted payments; (iii) create liens or enter into sale and leaseback transactions; (iv) enter into transactions with affiliates; (v) merge or consolidate with another company; and (vi) transfer and sell assets. These covenants contain certain exceptions. Restricted payments are applicable only if Consensus Cloud Solutions, Inc. and subsidiaries designated as restricted subsidiaries has a net leverage ratio of greater than 3.0 to 1.0. In addition, if such net leverage ratio is in excess of 3.0 to 1.0, the restriction on restricted payments is subject to various exceptions, including the total aggregate amount not to exceed the greater of (A) \$100.0 million and (B) 50.0% of EBITDA for the most recently ended four fiscal quarter period ended immediately prior to such date for which internal financial statements are available. The Company is in compliance with its debt covenants as of September 30, 2024.

#### *Credit Agreement*

On March 4, 2022, the Company entered into a Credit Agreement (the "Credit Agreement") with certain lenders party thereto (the "Lenders") and MUFG Union Bank, N.A., as agent (the "Agent"). Pursuant to the Credit Agreement, the Lenders have provided Consensus with a senior secured revolving credit facility of \$25.0 million (the "Credit Facility") with an option held by the Company to obtain an additional commitment of up to a maximum of \$25.0 million. The final maturity of the Credit Facility will occur on March 4, 2027. As of September 30, 2024, no amount had been drawn down on the Credit Facility. The Credit Facility is guaranteed by each wholly-owned material domestic subsidiary of Consensus, and secured by substantially all assets of Consensus and the guarantors. The loans made under the Credit Facility are subject to a Secured Overnight Financing Rate ("SOFR") base interest rate plus a SOFR margin between 1.75% - 2.50%, with stepdowns subject to the total net leverage ratio.

The Credit Facility is subject to a total net leverage ratio covenant and a minimum EBITDA requirement, in each case tested on a quarterly basis. The Credit Agreement contains covenants that restrict the Company's ability to (i) pay dividends or make distributions on the Company's common stock; (ii) make certain restricted payments; (iii) create liens or enter into sale and leaseback transactions; (iv) enter into transactions with affiliates; (v) merge or consolidate with another company; and (vi) transfer and sell assets. These covenants contain certain exceptions. Unsecured indebtedness may be incurred, assets may be disposed of, restricted payments may be made and investments may be made, in each case subject to compliance with the Company's financial covenants. The Company is in compliance with its covenants as of September 30, 2024.

#### *Debt Repurchase Program*

On November 9, 2023, the Board of Directors approved a debt repurchase program, pursuant to which Consensus may reduce, through redemptions, open market purchases, tender offers, privately negotiated purchases or other retirements, a combination of the outstanding principal balance of the 2026 Senior Notes and 2028 Senior Notes ("Debt Repurchase Program"). The authorization permits an aggregate principal amount reduction of up to \$300 million and expires on November 9, 2026. The timing and amounts of purchases will be determined by the Company, depending on market conditions and other factors it deems relevant. During the three and nine months ended September 30, 2024, the Company retired \$31.1 million and \$124.2 million, respectively, in principal of its senior notes. Refer to Note 16 - Subsequent Event for debt repurchases made subsequent to September 30, 2024 but prior to the filing of these financial statements. During the three and nine months ended September 30, 2023, the Company retired zero in principal of its senior notes. As of September 30, 2024, the Company had

retired an aggregate of \$186.8 million in principal of its senior notes under this program. In connection with the Debt Repurchase Program, the Company reclassified \$9.4 million and \$8.6 million of long-term debt, net of current portion to the current portion of long-term debt as of September 30, 2024 and December 31, 2023, respectively, as the Company had the intention and cash on hand to extinguish the respective amounts of debt within twelve months of the end of the reporting periods.

For the three and nine months ended September 30, 2024, a net gain on debt extinguishment of \$ 0.1 million and \$6.7 million, respectively, related to the Debt Repurchase Program is included in interest expense on the Condensed Consolidated Statements of Income. For the three and nine months ended September 30, 2023, no net gain on debt extinguishment was recorded.

## **8. Commitments and Contingencies**

### *Litigation*

From time to time, the Company and its affiliates are involved in litigation and other legal disputes or regulatory inquiries that arise in the ordinary course of business. Any claims or regulatory actions against the Company and its affiliates, whether meritorious or not, could be time consuming and costly, and could divert significant operational resources. The outcomes of such matters are subject to inherent uncertainties, carrying the potential for unfavorable rulings that could include monetary damages and injunctive relief.

The Company does not believe, based on current knowledge, that any legal proceedings or claims currently exist which, after giving effect to existing accrued liabilities, are likely to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. It is the Company's policy to expense legal fees related to any litigation as incurred.

### *Non-Income Related Taxes*

In the third quarter of 2022, the Company initiated a Voluntary Disclosure Agreement ("VDA") process to voluntarily report sales tax liability related to prior periods where the Company had previously not been able to estimate its exposure. The Company recorded an accrual as the exposure became probable and estimable. The VDA process was completed in the fourth quarter of 2023. While the Company believes that it has sufficiently reserved for historical sales tax liabilities under FASB ASC Topic No. 450, Contingencies, some state taxing authorities may still challenge the Company's sales tax position, the methodology used to calculate the sales tax liability, and may also impose other taxes on its business. Taxing authorities may successfully assert that the Company should have collected, or in the future should collect sales and use, telecommunications or similar taxes, and could be subject to liability with respect to past or future tax, which could adversely affect the Company's operating results.

The Company recorded a sales tax expense within general and administrative expenses in the Condensed Consolidated Statements of Income of \$0.1 million and \$0.8 million for the three months ended September 30, 2024 and 2023, respectively, and \$ 1.2 million and \$2.0 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company will continue to review and monitor the impact of sales tax rules in order to mitigate any associated risks on its business. The sales tax liability within accounts payable and accrued expenses on the Company's Condensed Consolidated Balance Sheets was \$5.9 million and \$7.3 million as of September 30, 2024 and December 31, 2023, respectively.

## 9. Other Balance Sheet Account Details

### *Prepaid expenses and other current assets*

Prepaid expenses and other current assets consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Prepaid insurance	\$ 97	\$ 939
Prepaid income taxes	3,111	3,698
Prepaid software licenses	3,154	3,232
Other prepaid expenses	2,718	1,799
Other current assets	350	523
Total	<u>\$ 9,430</u>	<u>\$ 10,191</u>

### *Accounts payable and accrued expenses*

Accounts payable and accrued expenses consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Accounts payable	\$ 9,518	\$ 9,858
Accrued sales and other taxes	7,486	8,806
Accrued interest	17,876	9,885
Accrued compensation	8,043	4,337
Accrued advertising expenses	2,021	2,485
Other accrued expenses	2,478	1,135
Total	<u>\$ 47,422</u>	<u>\$ 36,506</u>

## 10. Income Taxes

The Company's tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate adjusted for discrete interim period tax impacts. Each quarter the Company updates its estimated annual effective tax rate and, if the estimate changes, makes a cumulative adjustment. Changes in the geographical mix, permanent differences or the estimated level of annual pre-tax income can affect the effective tax rate. The Company's effective tax rate for the three months ended September 30, 2024 and 2023 was 22.5% and 23.9%, respectively. The Company's effective tax rate for the nine months ended September 30, 2024 and 2023 was 25.7% and 23.8%, respectively. The decrease in the Company's effective income tax rate for the three months ended September 30, 2024 was primarily due to the change in the geographical mix of income. The increase in the Company's effective income tax rate for the nine months ended September 30, 2024 was primarily attributable to the change in the geographical mix of income, an increase in the valuation allowance and an increase in state taxes on foreign earnings not permanently reinvested.

The Company's effective tax rates for the three and nine months ended September 30, 2024 and 2023 differed from the U.S. federal statutory rates of 21% primarily as a result of state income taxes, nondeductible expenses for tax purposes, foreign rate differential, research and development credits and uncertain tax positions.

As of September 30, 2024 and December 31, 2023, the Company had \$ 11.9 million and \$9.7 million, respectively, in liabilities for uncertain income tax positions, including interest and penalties. Accrued interest and penalties related to unrecognized tax benefits are recognized in income tax expense on the Company's Condensed Consolidated Statements of Income.

### *Income Tax Audits*

The Company is required to file tax returns in the United States, Ireland, Canada, Japan, Netherlands, France and Hong Kong. As of September 30, 2024, the Company was not under audit in any jurisdiction that it operates within. In respect to these international subsidiaries, tax returns for the years from 2017 onwards are still open to examination by tax authorities.

## 11. Stockholders' Deficit

### *Common Stock Repurchase Program*

On March 1, 2022, the Company's Board of Directors approved a share buyback program. Under this program, the Company may purchase in the public market or in off-market transactions up to \$100.0 million of the Company's common stock through February 2025. The timing and amounts of purchases will be determined by the Company, depending on market conditions and other factors it deems relevant. The Company entered into Rule 10b-18 and Rule 10b5-1 trading plans under this program. There were no shares repurchased during the three months ended September 30, 2024 under this program. During the three months ended September 30, 2023, the Company repurchased 152,399 shares under this program at an aggregate cost of \$3.8 million, inclusive of excise tax of \$0.1 million. During the nine months ended September 30, 2024 and 2023, the Company repurchased 42,962 and 490,953 shares, respectively, at an aggregate cost of \$0.7 million and \$15.1 million, respectively, inclusive of excise tax of zero and \$0.1 million, respectively. Cumulatively as of September 30, 2024, 1,071,624 shares have been repurchased under this program at an aggregate cost of \$32.0 million (inclusive of excise tax of \$0.2 million). The excise tax is assessed at 1% of the fair market value of net stock repurchases after December 31, 2022.

### *Vested Restricted Stock*

At the time of certain vesting events related to restricted stock units or restricted stock awards that are held by participants in Consensus' Equity Incentive Plan, a portion of the awards subject to vesting are withheld by the Company to satisfy the employees' tax withholding obligations that arise upon the vesting of restricted stock. As a result, the number of shares issued upon vesting for these awards is net of the statutory withholding requirements that the Company pays on behalf of its employees. Although shares withheld are not issued, they are treated as common share repurchases in the Company's condensed consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the Company's share repurchase program described above. During the three months ended September 30, 2024 and 2023, the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 3,489 shares and 2,412 shares, respectively. During the nine months ended September 30, 2024 and 2023, the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 40,396 shares and 35,368 shares, respectively.

### *Dividends*

The Company currently does not issue dividends to Consensus shareholders. Future dividends are subject to Board approval. Our current debt agreements could trigger restrictions on dividend payments under certain circumstances (see Note 7 - Long-Term Debt).

## 12. Equity Incentive Plan

The Company's share-based compensation plans include the 2021 Equity Incentive Plan (the "2021 Plan").

### *2021 Equity Incentive Plan*

In December 2021, Consensus' Board of Directors adopted the 2021 Plan, which provides for the grant of incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and share units and other share-based awards. Under the 2021 Plan, 4,000,000 shares of common stock are authorized to be granted. As of September 30, 2024, 2,147,611 shares were available to be used under the 2021 Plan.

### *Restricted Stock and Restricted Stock Units*

The Company has awarded restricted stock and restricted stock units to its Board of Directors and certain employees pursuant to the 2021 Plan. Compensation expense resulting from restricted stock and restricted stock unit grants is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. Vesting periods are generally one year for awards to members of the Company's Board of Directors, four years for employees and five years for the Chief Executive Officer and Chief Operating Officer.

### *Restricted Stock and Restricted Stock Units with Market Conditions*

The Company has awarded certain key employees market-based restricted stock and restricted stock units pursuant to the 2021 Plan. The market-based awards have vesting conditions that are based on specified stock price targets of the Company's common stock. Market conditions were factored into the grant date fair value using a Monte Carlo valuation model, which utilized multiple input variables to determine the probability of the Company achieving the specified stock price targets for 20 out of 30 trading days or 20 out of 25 trading days (look-back period), based on the award agreement. Stock-based compensation expense related to an award with a market condition is recognized over the requisite service period using the graded-vesting method, unless the market condition has been met and requisite service period has been completed, then the expense will be accelerated and recognized in the period that the market condition and service period requirement have been met. During the nine months ended September 30, 2024 and 2023, the Company awarded zero market-based restricted stock awards and restricted stock units.

Restricted stock activity for the nine months ended September 30, 2024 is set forth below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2024	15,679	\$ 39.24
Granted	—	—
Vested	(9,225)	37.95
Canceled	(6,454)	41.07
Nonvested at September 30, 2024	—	\$ —

As of September 30, 2024, the Company had no remaining unrecognized share-based compensation cost related to its restricted stock awards, as they have been fully expensed as of the end of the period.

Restricted stock unit activity for the nine months ended September 30, 2024 is set forth below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2024	1,560,557	\$ 40.27
Granted	101,067	16.46
Vested	(103,366)	54.37
Canceled	(54,344)	40.04
Outstanding at September 30, 2024	1,503,914	\$ 37.71

As of September 30, 2024, the Company had unrecognized share-based compensation cost related to its restricted stock units of \$ 22.2 million, which is expected to be recognized over a weighted-average period of 2.3 years.

The Company capitalized \$0.7 million and \$0.5 million of share-based compensation cost during the three months ended September 30, 2024 and 2023, respectively, and \$2.2 million and \$1.5 million during the nine months ended September 30, 2024 and 2023, respectively, within property and equipment, net on its Condensed Consolidated Balance Sheets.

### 13. Earnings Per Share

The components of basic and diluted earnings per share are as follows (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator for basic and diluted net income per common share:				
Net income attributable to common shareholders	\$ 21,120	\$ 24,007	\$ 71,364	\$ 60,523
Net income available to participating securities <sup>(1)</sup>	—	(12)	(9)	(52)
Net income available to common shareholders from operations	<u>\$ 21,120</u>	<u>\$ 23,995</u>	<u>\$ 71,355</u>	<u>\$ 60,471</u>
Denominator:				
Weighted-average outstanding shares of common stock	19,300,283	19,627,188	19,256,739	19,708,991
Dilutive effect of:				
Equity incentive plans	138,490	12,649	60,478	15,744
Employee Stock Purchase Plan	<u>3,357</u>	<u>8,018</u>	<u>4,057</u>	<u>6,030</u>
Common stock and common stock equivalents	<u>19,442,130</u>	<u>19,647,855</u>	<u>19,321,274</u>	<u>19,730,765</u>
Net income per share from operations:				
Basic	\$ 1.09	\$ 1.22	\$ 3.71	\$ 3.07
Diluted	\$ 1.09	\$ 1.22	\$ 3.69	\$ 3.07

<sup>(1)</sup> Represents unvested share-based payment awards that contain certain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid).

For the three months ended September 30, 2024 and 2023, there were 1,005,413 and 836,655 anti-dilutive shares, respectively, that were excluded from the earnings per share calculation. For the nine months ended September 30, 2024 and 2023, there were 1,238,732 and 704,837 anti-dilutive shares, respectively, that were excluded from the earnings per share calculation.

### 14. Segment Information

The Company's businesses are based on the organizational structure used by the chief operating decision maker ("CODM") for making operating and investment decisions and for assessing performance. The CODM views the Company as one segment: Cloud Fax.

The Company's Cloud Fax business is driven primarily by subscription revenues.

The Company evaluates performance based on revenue, gross margin and profit or loss from operations before income taxes, not including nonrecurring gains and losses and foreign exchange gains and losses.

The Company maintains operations in the U.S., Canada, Ireland and other countries. Geographic information about the U.S. and all other countries for the reporting periods is presented below. Such information attributes revenues based on markets where revenues are reported (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
United States	\$ 69,197	\$ 71,724	\$ 208,108	\$ 217,606
Canada	13,440	13,091	39,813	39,043
Ireland	2,984	3,571	9,195	11,331
All other countries	2,132	2,176	6,283	6,828
Foreign countries	18,556	18,838	55,291	57,202
Total	\$ 87,753	\$ 90,562	\$ 263,399	\$ 274,808

The following presents the Company's long-lived assets by geographic region, which consist of property and equipment, net and operating lease right-of-use assets (in thousands):

	September 30, 2024	December 31, 2023
<b>Long-lived assets:</b>		
United States	\$ 102,784	\$ 87,378
Canada	222	196
Ireland	189	250
All other countries	71	138
Foreign countries	482	584
Total	\$ 103,266	\$ 87,962

## 15. Related Party Transactions

In connection with the Separation, Consensus and Ziff Davis entered into a transition services agreement ("TSA") following the Separation, which governed services including certain information technology services, finance and accounting services and human resource and employee benefit services. The agreed-upon charges, if any, for such services were intended to cover any costs and expenses incurred in providing such services. The TSA terminated on October 7, 2023.

The Company paid approximately \$0.1 million and \$0.1 million during the three months ended September 30, 2024 and 2023, respectively, and \$0.3 million and \$0.6 million, during the nine months ended September 30, 2024 and 2023, respectively, to Ziff Davis for costs primarily associated with the transition services agreement. Subsequent to the disposition of the shares, Ziff Davis' beneficial ownership in the Company was zero as of September 30, 2024 (see Note 1 - Basis of Presentation). Amounts due to Ziff Davis as of September 30, 2024 and December 31, 2023 were zero and \$0.1 million, respectively. These amounts are recorded within accounts payable and accrued expenses on the Condensed Consolidated Balance Sheets.

## 16. Subsequent Event

In connection with the Company's Debt Repurchase Program (see Note 7 - Long-Term Debt), the Company paid \$ 9.2 million, which includes accrued interest, to repurchase \$9.1 million in principal of its senior notes subsequent to the period ended September 30, 2024.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Forward-Looking Information

*In addition to historical information, we have also made forward-looking statements in this report. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "expects," "may," "anticipates," "believes," "estimates," "will," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed below, the risk factors discussed in Part II, Item 1A - "Risk Factors" of this Quarterly Report on Form 10-Q (if any) and in Part I, Item 1A - "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 (together, the "Risk Factors"), and the factors discussed in the section in this Quarterly Report on Form 10-Q entitled "Quantitative and Qualitative Disclosures About Market Risk." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the Risk Factors and the risk factors set forth in other documents we file from time to time with the SEC.*

Some factors that could cause actual results to differ materially from those anticipated in these forward-looking statements include, but are not limited to, our ability and intention to:

- Sustain growth or profitability, particularly in light of an uncertain U.S. or worldwide economy, recent global conflicts, inflationary pressures, elevated interest rates, and the prospect of a U.S. federal government shutdown, and the related impact on customer acquisition and retention rates, customer usage levels and credit and debit card payment declines;
- Maintain and increase our customer base and average revenue per user;
- Generate sufficient cash flow to make interest and debt payments, reinvest in our business and pursue desired activities and business plans while satisfying restrictive covenants relating to debt obligations;
- Acquire businesses on acceptable terms and successfully integrate and realize anticipated synergies from such acquisitions;
- Continue to expand our Cloud Fax businesses and operations internationally in the wake of numerous risks, including adverse currency fluctuations, difficulty in staffing and managing international operations, higher operating costs as a percentage of revenues or the implementation of adverse regulations;
- Maintain our financial position, operating results and cash flows in the event that we incur new or unanticipated costs or tax liabilities, including those relating to federal and state income tax and indirect taxes, such as sales, value-added and telecommunication taxes;
- Accurately estimate the assumptions underlying our effective worldwide tax rate;
- Manage risks from our international operations, including risks associated with currency fluctuations and foreign exchange controls and adverse changes in global financial markets;
- Manage certain risks inherent to our business, such as costs associated with fraudulent activity, system failure or network security breach; effectively maintaining and managing our billing systems; allocating time and resources required to manage our legal proceedings; liability for legal and other claims; or adhering to our internal controls and procedures;
- Compete with other similar providers with regard to price, service and functionality;
- Cost-effectively procure, retain and deploy large quantities of fax numbers in desired locations in the United States and abroad;
- Achieve business and financial objectives in light of burdensome domestic and international telecommunications, internet or other regulations including data privacy, access, security and retention;
- Successfully manage our growth, including but not limited to, our operational and personnel-related resources, and integration of newly acquired businesses;
- Successfully adapt to technological changes and diversify services and related revenues at acceptable levels of financial return;
- Successfully develop and protect our intellectual property, both domestically and internationally, including our brands, patents, trademarks and domain names, and avoid infringing upon the proprietary rights of others;
- Recruit and retain key personnel; and
- Maintain favorable relationships with critical third-party vendors whose financial condition will not negatively impact the services they provide.



In addition, other factors that could cause actual results to differ materially from those anticipated in these forward-looking statements or materially impact our financial results include the risks associated with new accounting pronouncements, as well as those associated with natural disasters, public health crises and other catastrophic events outside of our control.

## **Overview**

Consensus is a leading provider of secure information delivery services with a scalable Software-as-a-Service (“SaaS”) platform. Consensus serves approximately 825 thousand customers of all sizes, from enterprises to individuals, across approximately 45 countries and multiple industry verticals including healthcare, government, financial services, law and education. Our top 10 customers represent approximately 8% of total revenues and approximately 74% of our Small office home office (“SoHo”) customer accounts are older than 2 years. Beginning as an online fax company over two decades ago, Consensus has evolved into a leading global provider of enterprise secure communication solutions. Consensus is well positioned to capitalize on advancements in how people and businesses share private documents and information. Its mission is to democratize secure information interchange across technologies and industries, and solve the healthcare interoperability challenge. Consensus' communication and interoperability solutions enable its customers to securely and cooperatively access, exchange and use information across organizational, regional and national boundaries.

The global economy continues to be impacted by macroeconomic uncertainty and volatility resulting from recent global conflicts, inflationary pressures, higher interest rates, supply chain disruptions and challenges as well as labor market pressures, all of which could adversely impact the efficiency of our operations. We continue to actively monitor the situation and will continue to adapt our business operations as necessary.

For purposes of this management's discussion and analysis of the results of operations and financial condition of Consensus (“MD&A”) section, we use the terms “the Company,” “we,” “us” and “our” to refer to Consensus.

## Key Performance Metrics

We use the following metrics to generally assess the operational and financial performance of our business, including the growth of our business, the value provided by customers to our business and our customer retention that provide insights that contribute to certain of our business planning decisions. We believe these financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

The following table sets forth certain key performance metrics for our operations for the three and nine months ended September 30, 2024 and 2023 (in thousands, except for percentages and Average Revenue per Customer Account):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenue</b>				
Corporate	\$ 53,085	\$ 50,430	\$ 156,195	\$ 150,198
Small office home office ("SoHo")	34,664	40,129	107,197	124,588
Total	87,749	90,559	263,392	274,786
Other revenues	4	3	7	22
Consolidated	\$ 87,753	\$ 90,562	\$ 263,399	\$ 274,808
<b>Average Revenue per Customer Account ("ARPA") <sup>(1)(2)</sup></b>				
Corporate	\$ 310.13	\$ 312.45	\$ 312.13	\$ 314.92
SoHo	\$ 14.88	\$ 15.31	\$ 14.93	\$ 15.37
Consolidated	\$ 35.09	\$ 32.54	\$ 34.31	\$ 32.02
<b>Customer Accounts <sup>(1)</sup></b>				
Corporate	58	54	58	54
SoHo	767	859	767	859
Consolidated	825	913	825	913
<b>Paid Adds <sup>(3)</sup></b>				
Corporate	5	3	14	9
SoHo	64	64	187	217
Consolidated	69	67	201	226
<b>Monthly Churn % <sup>(4)</sup></b>				
Corporate	2.61 %	1.49 %	2.27 %	1.38 %
SoHo	3.38 %	3.49 %	3.40 %	3.61 %
Consolidated	3.33 %	3.37 %	3.33 %	3.48 %

<sup>(1)</sup> Consensus customers are defined as paying Corporate and SoHo customer accounts.

<sup>(2)</sup> Represents a monthly ARPA for the quarter or year-to-date period, calculated as follows: Monthly ARPA on a quarterly basis is calculated using our standard convention of dividing revenue for the quarter by the average of the quarter's beginning and ending customer base and dividing that amount by 3 months. Monthly ARPA on a year-to-date basis is calculated by dividing revenue for the year-to-date period by the average customer base for the applicable period and dividing that amount by the respective period. We believe ARPA provides investors an understanding of the average monthly revenues we recognize per account associated within Consensus' customer base. As ARPA varies based on fixed subscription fee and variable usage components, we believe it can serve as a measure by which investors can evaluate trends in the types of services, levels of services and the usage levels of those services across Consensus' customers.

<sup>(3)</sup> Paid Adds represents paying new Consensus customer accounts added during the periods presented.

- <sup>(4)</sup> Monthly churn represents paid monthly SoHo and Corporate customer accounts that were cancelled during each month of the quarter or year-to-date period divided by the average number of customers during each month of the same quarter or year-to-date period (including the paid adds). The period measured is the quarter or year-to-date and expressed as a monthly churn rate over the respective period.

### Critical Accounting Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements. Actual results could differ significantly from those estimates under different assumptions and conditions. Our critical accounting policies are described in our 2023 Annual Report on Form 10-K filed with the SEC on February 28, 2024. During the nine months ended September 30, 2024, there were no significant changes in our critical accounting policies and estimates.

### Results of Operations for the Three and Nine Months Ended September 30, 2024 and 2023

The main strategic focus of our Consensus offerings is to enable our customers to securely and cooperatively access, exchange and use information across organizational, regional and national boundaries. As a result, we expect to continue to take steps to enhance our existing offerings and offer new services to continue to satisfy the evolving needs of our customers.

We expect our business to primarily grow organically and inorganically through the use of capital for re-investment in the business and opportunistic acquisitions that expedite our product roadmap in the interoperability space should they arise.

### Revenues

(in thousands, except percentages)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2024	2023		2024	2023	
Revenues	\$ 87,753	\$ 90,562	(3)%	\$ 263,399	\$ 274,808	(4)%

Our revenues primarily consist of revenues from "fixed" customer subscription revenues and "variable" revenues generated from actual usage of our services.

Revenues decreased by \$2.8 million or 3% for the three months ended September 30, 2024 over the prior year comparable period. The decrease was due to a decline of \$5.5 million or 14% in our SoHo business, partially offset by an increase of \$2.7 million or 5% in our corporate business.

Revenues decreased by \$11.4 million or 4% for the nine months ended September 30, 2024 over the prior year comparable period. The decrease was due to a decline of \$17.4 million or 14% in our SoHo business, partially offset by an increase of \$6.0 million or 4% in our corporate business.

### Cost of Revenues

(in thousands, except percentages)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2024	2023		2024	2023	
Cost of revenues	\$17,658	\$16,853	5%	\$51,828	\$51,607	—%
As a percent of revenue	20%	19%		20%	19%	

Cost of revenues is primarily comprised of costs associated with personnel costs, data transmission, online processing fees, network operations as well as capitalized software amortization and equipment depreciation.

The increase in cost of revenues for the three months ended September 30, 2024 over the prior year comparable period was primarily due to increases of \$0.9 million in depreciation associated with platform development costs and \$0.8 million in network operations costs, partially offset by decreases of \$0.3 million in data transmission expense, \$0.2 million in personnel-related expenses and \$0.2 million in online processing fees.

Cost of revenues for the nine months ended September 30, 2024 remained consistent with the prior year comparable period.

## Operating Expenses

### Sales and Marketing

(in thousands, except percentages)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2024	2023		2024	2023	
<b>Sales and marketing</b>	<b>\$12,500</b>	<b>\$15,319</b>	<b>(18)%</b>	<b>\$36,776</b>	<b>\$49,719</b>	<b>(26)%</b>
<b>As a percent of revenue</b>	<b>14%</b>	<b>17%</b>		<b>14%</b>	<b>18%</b>	

Our sales and marketing costs consist primarily of personnel costs, internet-based advertising and other business development-related expenses. Our internet-based advertising relationships consist primarily of fixed cost and performance-based (cost-per-impression, cost-per-click and cost-per-acquisition) advertising relationships with an array of online service providers. Our sales personnel consist of a combination of inside sales and outside sales professionals.

The decrease in sales and marketing expenses of \$2.8 million for the three months ended September 30, 2024 over the prior year comparable period was primarily due to a reduction in third party advertising spend of \$2.7 million, predominantly in SoHo.

The decrease in sales and marketing expenses of \$12.9 million for the nine months ended September 30, 2024 over the prior year comparable period was primarily due to a reduction in third party advertising spend of \$12.8 million, predominantly in SoHo.

### Research, Development and Engineering

(in thousands, except percentages)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2024	2023		2024	2023	
<b>Research, development and engineering</b>	<b>\$2,034</b>	<b>\$1,677</b>	<b>21%</b>	<b>\$5,582</b>	<b>\$5,346</b>	<b>4%</b>
<b>As a percent of revenue</b>	<b>2%</b>	<b>2%</b>		<b>2%</b>	<b>2%</b>	

Our research, development and engineering costs consist primarily of personnel-related expenses.

The increase in research, development and engineering for the three months ended September 30, 2024 over the prior year comparable period was primarily due to an increase of \$0.3 million in personnel-related expenses.

The increase in research, development and engineering for the nine months ended September 30, 2024 over the prior year comparable period was primarily due to increases of \$0.1 million in personnel-related expenses and \$0.1 million in computer related expense.

### General and Administrative

(in thousands, except percentages)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2024	2023		2024	2023	
<b>General and administrative</b>	<b>\$17,136</b>	<b>\$17,798</b>	<b>(4)%</b>	<b>\$53,240</b>	<b>\$56,382</b>	<b>(6)%</b>
<b>As a percent of revenue</b>	<b>20%</b>	<b>20%</b>		<b>20%</b>	<b>21%</b>	

Our general and administrative costs consist primarily of personnel-related expenses (inclusive of share-based compensation), professional fees, depreciation and amortization and bad debt expense.

The decrease in general and administrative expenses for the three months ended September 30, 2024 over the prior year comparable period was primarily due to decreases of \$0.7 million in non-income related tax expenses.

The decrease in general and administrative expenses for the nine months ended September 30, 2024 over the prior year comparable period was primarily due to decreases of \$1.5 million in personnel-related expenses and \$1.4 million in professional fees.

### Share-Based Compensation

The following table represents share-based compensation expense included in cost of revenues and operating expenses in the accompanying Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues	\$ 465	\$ 309	\$ 1,449	\$ 939
Operating expenses:				
Sales and marketing	592	375	1,856	1,134
Research, development and engineering	95	61	260	153
General and administrative	2,270	3,009	8,045	11,331
Total	<u>\$ 3,422</u>	<u>\$ 3,754</u>	<u>\$ 11,610</u>	<u>\$ 13,557</u>

### Non-Operating Income and Expenses

*Interest expense.* Our interest expense is due to outstanding debt and is reduced by any capitalized interest. Interest expense was \$9.8 million and \$12.6 million for the three months ended September 30, 2024 and 2023, respectively, and \$24.6 million and \$38.0 million for the nine months ended September 30, 2024 and 2023, respectively. The decrease between periods was primarily due to the partial extinguishment of debt, resulting in a gain of \$0.1 million and \$6.7 million for the three and nine months ended September 30, 2024, respectively.

*Interest income.* Our interest income is generated from interest earned on cash and cash equivalents. Interest income was \$0.7 million and \$1.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$2.2 million and \$2.2 million for the nine months ended September 30, 2024 and 2023, respectively. Interest income for the three months ended September 30, 2024 decreased compared to the prior year comparable period as the Company decreased its investment in money market funds in order to repurchase long-term debt. Interest income for the nine months ended September 30, 2024 was consistent with the prior year comparable period.

*Other (expense) income, net.* Our other (expense) income, net is generated primarily from foreign currency and miscellaneous items. Other (expense) income, net was \$(2.1) million and \$3.7 million for the three months ended September 30, 2024 and 2023, respectively, and \$2.5 million and \$3.4 million for the nine months ended September 30, 2024 and 2023, respectively. The change between periods was primarily attributable to exchange rate fluctuations on intercompany balances between periods in foreign subsidiaries that were in functional currencies other than the U.S. Dollar.

### Income Taxes

Significant judgment is required in determining our provision for income taxes and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. Certain of these tax positions have, in the past been challenged, and this may have a significant impact on our effective tax rate if our tax reserves are insufficient.

Our effective tax rate is based on pre-tax income, statutory tax rates, tax regulations and different tax rates in the various jurisdictions in which we operate. The tax basis of our assets and liabilities reflect our best estimate of the tax benefits and costs we expect to realize. When necessary, we establish valuation allowances to reduce our deferred tax assets to an amount that will more likely than not be realized.

The provision for income taxes was \$6.1 million and \$7.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$24.7 million and \$18.9 million for the nine months ended September 30, 2024 and 2023, respectively.

Our effective tax rate was 22.5% and 23.9% for the three months ended September 30, 2024 and 2023, respectively, and 25.7% and 23.8% for the nine months ended September 30, 2024 and 2023, respectively. The decrease in our effective income tax rate for the three months ended September 30, 2024 was primarily due to the change in the geographical mix of income. The increase in our effective income tax rate for the nine months ended September 30, 2024 was primarily attributable to the change in the geographical mix of income, an increase in the valuation allowance and an increase in state taxes on foreign earnings not permanently reinvested.

## **Liquidity and Capital Resources**

### ***Cash and Cash Equivalents***

As of September 30, 2024, we had cash and cash equivalents of \$54.6 million compared to \$88.7 million as of December 31, 2023. The decrease in cash and cash equivalents resulted primarily from cash used for debt repurchases, capitalized expenditures and common stock repurchases, partially offset by cash provided by operations. As of September 30, 2024, cash and cash equivalents held within domestic and foreign jurisdictions were \$29.3 million and \$25.3 million, respectively.

#### *Credit Agreement*

On March 4, 2022, the Company entered into a Credit Agreement with certain lenders party thereto (collectively, the "Lenders") and MUFG Union Bank, N.A., as agent (the "Agent"). Pursuant to the Credit Agreement, the Lenders have provided Consensus with a revolving credit facility of \$25.0 million (the "Credit Facility") with an option held by the Company to obtain an additional commitment of up to a maximum of \$25.0 million. The final maturity of the Credit Facility will occur on March 4, 2027. As of September 30, 2024, no amount had been drawn down on the Credit Facility.

#### *Material Cash Requirements*

Our long-term contractual obligations generally include our debt and related interest payments, noncancellable operating leases as well as other commitments. As of September 30, 2024, we had outstanding \$618.2 million in aggregate principal amount of indebtedness (see Note 7 - Long-Term Debt of the Notes to the Condensed Consolidated Financial Statements) and total minimum lease payments of \$18.0 million, which had a weighted average remaining lease term of 5.9 years. As of September 30, 2024, our liability for uncertain tax positions was \$11.9 million. Due to uncertainties in the timing of the amounts and timing of cash settlement with the taxing authorities, we are unable to make a reasonably reliable estimate of the timing of payments.

We currently anticipate that our existing cash and cash equivalents and cash generated from operations will be sufficient to fund our anticipated needs for working capital, capital expenditures, stock and debt repurchases, if any, for at least the next 12 months and the foreseeable future.

#### *Debt Repurchase Program*

On November 9, 2023, the Board of Directors approved a debt repurchase program, pursuant to which Consensus may reduce, through redemptions, open market purchases, tender offers, privately negotiated purchases or other retirements, a combination of the outstanding principal balance of the 2026 Senior Notes and 2028 Senior Notes ("Debt Repurchase Program"). The authorization permits an aggregate principal amount reduction of up to \$300.0 million and expires on November 9, 2026. The timing and amounts of purchases will be determined by the Company, depending on market conditions and other factors it deems relevant. Any gains or losses on extinguishment of debt are recognized in interest expense on the Condensed Consolidated Statements of Income. As of September 30, 2024, the Company had retired an aggregate of \$186.8 million in principal of its senior notes under this program. In connection with the Company's Debt Repurchase Program (see Note 7 - Long-Term Debt), the Company paid \$9.2 million, which includes accrued interest, to repurchase \$9.1 million in principal of its senior notes subsequent to the period ended September 30, 2024.

#### *Common Stock Repurchase Program*

On March 1, 2022, the Company's Board of Directors approved a share buyback program. Under this program, the Company may purchase in the public market or in off-market transactions up to \$100.0 million worth of the Company's common stock through February 2025. The timing and amounts of purchases will be determined by the Company, depending on market conditions and other factors it deems relevant. The Company entered into Rule 10b-18 and Rule 10b5-1 trading plans

under this program. There were no shares repurchased during the three months ended September 30, 2024 under this program. During the three months ended September 30, 2023 the Company repurchased 152,399 shares under this program at an aggregate cost of \$3.8 million, inclusive of excise tax of \$0.1 million. During the nine months ended September 30, 2024 and 2023, the Company repurchased 42,962 and 490,953 shares, respectively, at an aggregate cost of \$0.7 million and \$15.1 million, respectively, inclusive of excise tax of zero and \$0.1 million, respectively. Cumulatively as of September 30, 2024, 1,071,624 shares have been repurchased under this program at an aggregate cost of \$32.0 million (inclusive of excise tax of \$0.2 million). The excise tax is assessed at 1% of the fair market value of net stock repurchases after December 31, 2022.

#### *Vested Restricted Stock*

At the time of certain vesting events related to restricted stock units or restricted stock awards that are held by participants in Consensus' Equity Incentive Plan, a portion of the awards subject to vesting are withheld by the Company to satisfy the employees' tax withholding obligations that arise upon the vesting of restricted stock. As a result, the number of shares issued upon vesting for these awards is net of the statutory withholding requirements that the Company pays on behalf of its employees. Although shares withheld are not issued, they are treated as common share repurchases in the Company's condensed consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the Company's share repurchase program described above. During the three months ended September 30, 2024 and 2023, the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 3,489 shares and 2,412 shares, respectively. During the nine months ended September 30, 2024 and 2023, the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 40,396 shares and 35,368 shares, respectively.

#### **Cash Flows**

Our primary sources of liquidity are cash flows generated from operations, together with cash and cash equivalents. Net cash provided by operating activities was \$110.6 million and \$112.1 million for the nine months ended September 30, 2024 and 2023, respectively. Our operating cash flows resulted primarily from cash received from our customers offset by cash payments we made to third parties for their services and employee compensation. The decrease in our net cash provided by operating activities over the prior comparable period was primarily attributable to a decrease in our net working capital accounts of \$3.4 million, partially offset by increased income of \$1.9 million after excluding noncash items.

Net cash used in investing activities was \$25.5 million and \$32.7 million for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, net cash used in investing activities consisted of capital expenditures associated with the purchase of property and equipment (including capitalized labor). The decrease in our net cash used in investing activities over the prior comparable period was primarily attributable to less cash used for investments and capital expenditures associated with the purchase of property and equipment (including capitalized labor).

Net cash used in financing activities was \$116.8 million and \$14.1 million for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, net cash used in financing activities was primarily attributable to cash outlays the Company used to repurchase a portion of its outstanding senior notes debt facilities. For the nine months ended September 30, 2023, net cash used in financing activities was primarily attributable to cash used to repurchase common stock. The change in net cash used in financing activities over the prior comparable period was primarily attributable to an increase in cash outflows related to the repurchase of our debt in the current period, which was absent in the prior period, partially offset by a decrease in the repurchases of the Company's common stock.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*The following discussion of the market risks we face contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. Consensus undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Readers should carefully review the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2023, as well as in other documents we file from time to time with the SEC, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed or to be filed by us in 2024.*

## Interest Rate Risk

Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of September 30, 2024, the carrying value of our cash and cash equivalents approximated fair value. Our return on these investments is subject to interest rate fluctuations.

As of September 30, 2024 and December 31, 2023, we had cash and cash equivalent investments, primarily in money market funds and cash held in foreign and domestic bank accounts, of \$54.6 million and \$88.7 million, respectively. We do not have interest rate risk on our outstanding long-term debt as these arrangements have fixed interest rates.

We cannot ensure that future interest rate movements will not have a material adverse effect on our future business, prospects, financial condition, operating results and cash flows. To date, we have not entered into interest rate hedging transactions to control or minimize certain of these risks.

## Foreign Currency Risk

Our principal exposure to foreign currency risk relates to investment and intercompany debt in foreign subsidiaries that transact business in functional currencies other than the U.S. Dollar, primarily the Euro and the Japanese Yen. If we are unable to settle our short-term intercompany debts in a timely manner, we remain exposed to foreign currency fluctuations.

As we expand our international presence, we become further exposed to foreign currency risk by entering new markets with additional foreign currencies. The economic impact of currency exchange rate movements is often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies.

As currency exchange rates change, translation of the income statements of the international businesses into U.S. Dollars affects year-over-year comparability of operating results, the impact of which is immaterial to the comparisons set forth in this Form 10-Q.

Historically, we have not hedged translation risks because cash flows from international operations were generally reinvested locally; however, we may do so in the future. Our objective in managing foreign exchange risk is to minimize the potential exposure to changes that exchange rates might have on earnings, cash flows and our financial position. We currently do not have derivative financial instruments for hedging, speculative or trading purposes and therefore are not subject to such hedging risk. However, we may in the future engage in hedging transactions to manage our exposure to fluctuations in foreign currency exchange rates.

Foreign exchange (loss) gain was \$(2.1) million and \$3.7 million for the three months ended September 30, 2024 and 2023, respectively. Foreign exchange gain was \$2.5 million and \$3.4 million for the nine months ended September 30, 2024 and 2023, respectively. The change in foreign exchange gain was primarily attributable to the translation of certain intra-entity balances in foreign currencies.

Cumulative translation adjustment gain (loss), included in other comprehensive income, was \$6.1 million and \$(6.2) million for the three months ended September 30, 2024 and 2023, respectively. Cumulative translation adjustment loss, included in other comprehensive income, was \$1.6 million and \$4.1 million for the nine months ended September 30, 2024 and 2023, respectively.

## Item 4. Controls and Procedures

### (a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such



term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the quarterly period ended September 30, 2024. Based on this evaluation, our CEO and CFO concluded that, as of September 30, 2024, our disclosure controls and procedures were effective, at a reasonable assurance level.

#### Limitations on the Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

#### (b) Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) which occurred during the third quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

See Note 8 - Commitments and Contingencies of the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1) for information regarding certain legal proceedings in which we are involved.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as well as in other documents we file from time to time. There have been no material changes to the risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### (a) Unregistered Sales of Equity Securities

None.

#### (b) Issuer Purchases of Equity Securities

None.

### Item 3. Defaults Upon Senior Securities

Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

#### (c) Trading Plans

None.

## Item 6. Exhibits

Exhibit Number	Description
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Consensus Cloud Solutions, Inc.</u></a> (incorporated by reference to Ex. 3.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
3.2	<a href="#"><u>Amended and Restated Bylaws of Consensus Cloud Solutions, Inc.</u></a> (incorporated by reference to Ex. 3.2 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
31.1*	<a href="#"><u>Rule 13a-14(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Rule 13a-14(a) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101	The following financial information from Consensus Cloud Solutions, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023, (v) Condensed Consolidated Statements of Stockholders' Deficit for the three and nine months ended September 30, 2024 and 2023, and (vi) the Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith

\*\* Furnished herewith

## Signatures

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 thereunto duly authorized.

### Consensus Cloud Solutions, Inc.

Date:	November 7, 2024	By:	<u>/s/ R. SCOTT TURICCHI</u> R. Scott Turicchi Chief Executive Officer and Director (Principal Executive Officer)
Date:	November 7, 2024	By:	<u>/s/ JAMES C. MALONE</u> James C. Malone Chief Financial Officer (Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Scott Turicchi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consensus Cloud Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2024

/s/ R. SCOTT TURICCHI

R. Scott Turicchi  
Chief Executive Officer and Director  
(Principal Executive Officer)

*A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Consensus Cloud Solutions, Inc. and will be retained by Consensus Cloud Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.*

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James C. Malone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consensus Cloud Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JAMES C. MALONE

James C. Malone

Chief Financial Officer  
(Principal Financial and Accounting Officer)

Dated: November 7, 2024

*A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Consensus Cloud Solutions, Inc. and will be retained by Consensus Cloud Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND  
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Consensus Cloud Solutions, Inc. (the "Company") for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), R. Scott Turicchi, as Chief Executive Officer (Principal Executive Officer) of the Company, and James C. Malone, as Chief Financial Officer (Principal Financial Officer and Accounting Officer) of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, respectively, that:

1. The accompanying quarterly report on Form 10-Q for the quarter ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities and Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Consensus Cloud Solutions, Inc.

/s/ R. SCOTT TURICCHI

R. Scott Turicchi

Dated: November 7, 2024

Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ JAMES C. MALONE

James C. Malone

Dated: November 7, 2024

Chief Financial Officer  
(Principal Financial and Accounting Officer)

***A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to Consensus Cloud Solutions, Inc. and will be retained by Consensus Cloud Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.***