UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2024
OR

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

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

Consensus Cloud Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**87-1139414**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	CCSI	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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," "small reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Non-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 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of the last day of the registrant's most recently completed second fiscal quarter, the approximate aggregate market value of the common stock held by non-affiliates, based upon the closing price of the common stock as quoted by the Nasdaq Global Select Market was $323,412,882.

As of February 14, 2025, the registrant had 19,525,597 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2024 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

Overview

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 800 thousand customers of all sizes, from enterprises to individuals, across approximately 46 countries and multiple industry verticals including healthcare, government, financial services, law and education. Our top 10 customers represent approximately $28 million or 8% of total revenues. Beginning as an online fax company over two decades ago, Consensus has evolved into a leading global provider of enterprise secure communication solutions. Our communication, extraction and digital signature solutions enable our customers to securely and cooperatively access, exchange and use information across organizational, regional and national boundaries. Our mission is to democratize secure information interchange across technologies and industries and provide healthcare interoperability solutions. Substantially all of Consensus' revenue is recurring in nature and is generated either via fixed subscription plans or usage-based contracts.

Over the past decade, Consensus has progressively shifted focus towards larger commercial customers ("Corporate"). As enterprise data communication shifted toward digitization and cloud-based solutions, Consensus entered industry verticals such as healthcare, government, financial services, law and education. Our Corporate business has grown from $149 million of revenue in 2020 to approximately $209 million of revenue in 2024, representing a 7.0% five-year compound annual growth rate. We currently serve approximately 59 thousand Corporate customers, ranging from small/medium businesses to large enterprises and government agencies. Our sales are primarily made through direct interaction with a salesperson and involve specific pricing and customer features such as but not limited to multiple line subscriptions, API connections and enhanced security features.

We currently serve approximately 747 thousand small office/home office ("SoHo") online fax customers, generally consumers and SoHo users, but also single corporate users who acquire a pre-defined subscription through an e-commerce website without direct interaction with a salesperson. Approximately 74% of our SoHo base have been customers for more than two years.

Healthcare represents Consensus' largest industry vertical and has information, secure communication, management and interoperability needs. In addition to the offerings discussed above, Consensus has several product offerings that are specific to the healthcare industry.

We believe our leadership in digital cloud fax, intelligent data extraction, HL7, FHIR and our deep domain knowledge and experience in the healthcare industry positions Consensus well to help healthcare providers accomplish their broader digitization and interoperability objectives.

Our Industry

Secure Information Communication

Our products and services are a component of the secure information transmission market, which is part of the broader public cloud services market, for which demand for cloud services is expected to accelerate in the future. Fax remains one of the most ubiquitous technologies to transmit documents securely. The use of fax is particularly high in industries subject to data protection laws such as the Health Insurance Portability and Accountability Act ("HIPAA"), as fax offers safety of transmission and nearly universal legal acceptance. According to market research "Global Fax Services Market – Focused Insights 2024-2029" conducted by Arizton Advisory & Intelligence, industry analysts expect the global fax services market to grow at a compound annual growth rate of 11.06% from 2023 to 2029. Additionally, cloud adoption has grown quickly in secure transmission, taking share from on-premises solutions over the past decade. Key drivers to cloud adoption include:

- **Digitization**: Key industry verticals such as healthcare, government, financial services and law have been heavily investing in digitization of information and the online fax industry has significantly benefited from the trend.

- **Data security and data privacy awareness:** Digital cloud fax technology is demonstrably more secure than traditional email and traditional fax machines, which are vulnerable to physical security threats and retrieval problems.

- **Regulatory tailwinds:** eFax® meets or exceeds the requirements of various regulations for data security and remains ubiquitous in highly regulated industries, such as healthcare and other sectors where large volumes of sensitive or regulated information is exchanged.

- **Cost efficiency**: Cloud-based solutions have minimal installation costs and are highly efficient to scale as the needs of the organization fluctuate.

- **Green initiatives:** Cloud-based solutions appeal to customers engaging in "green" initiatives to reduce their impact on the environment because they rely less on paper for printing documents.

Healthcare Interoperability

In the healthcare industry, interoperability is defined as the ability of different information systems, devices and applications ("systems") to access, exchange, integrate and cooperatively use data in a coordinated manner, within and across organizational, regional and national boundaries, to provide timely and seamless portability of information and optimize the health of individuals and populations globally. In the increasingly data-driven healthcare industry, interoperability is essential to ensuring quality care delivery and safeguarding patient information.

To address market demand for effective interoperability solutions, Consensus is concentrating its development efforts in tools capable of integrating with existing healthcare IT infrastructure to facilitate timely and accurate communication between providers and allow use of multiple transmission protocols within a single cloud-based platform.

Our Products and Solutions

Corporate Solutions

eFax Corporate®: eFax Corporate® provides digital cloud fax technology, enabling users to send, receive and manage faxes digitally through multiple user interfaces or seamlessly integrated in their application through a robust API.

ECFax: ECFax is comparable to eFax Corporate in its features and use cases but is specifically developed for use by public sector customers with extremely high security demands. As such, ECFax is operated and only accessible in a FedRAMP government cloud environment to meet those standards.

Unite: Unite is a single platform that allows the user to choose between several protocols to send and receive healthcare information in an environment that can integrate into an existing electronic health record ("EHR") system or stand-alone if no EHR is present.

jSign®: jSign® provides electronic signature and digital signature solutions to businesses, offering document markup and end-user signing services via mobile-aware web application and enterprise API.

Conductor: Conductor is a robust interface engine and complete interoperability platform that provides seamless integration technology supporting all the latest standards for connectivity and data formats (API/FHIR, HL7, Direct Secure Messaging, web services, message queues, etc.), addressing a wide range of interoperability challenges from the simple to the extremely complex.

Clarity: Using Natural Language Processing and Artificial Intelligence ("NLP/AI"), the Clarity platform can transform unstructured documents into structured actionable data. Clarity's intelligent data extraction allows data to be sent to the right person, at the right place, at the right time - to accelerate patient treatment across the continuum of care. Additionally, our pre-packaged applications of Clarity – Clarity Clinical Documentation™ and Clarity Prior Authorization™ – tackle specific data extraction challenges in the healthcare industry.

SoHo Fax Solutions

eFax® is a global online faxing service with customers worldwide. In addition to eFax®, we offer a variety of brands for subscription, including but not limited to MyFax®, Sfax®, Metrofax®, and SRfax®.

Customers

We have a diverse set of customers globally, using cloud fax, electronic signature and interoperability products.

Our Strengths

Building on our position as a global provider of internet fax solutions from individuals to enterprises and across industries, Consensus is well positioned to capitalize on shifts in how we share private documents and information. We believe that our key strengths and competitive advantages include:

Differentiated Product Offering Based on Scalable SaaS Platform. Our scalable and highly customizable technology infrastructure supports the transmission of a large number of documents each year. Due to our scale and capabilities, we have differentiated visibility into the trends that affect the way our customers transmit, store and manage information.

Position in the Growing Enterprise Cloud Fax Market. We believe our status in the enterprise cloud fax space provides Consensus with an opportunity for organic growth and the potential to explore acquisitions that are value accretive and enhance our scale and geographic diversity.

Positioned to Support Healthcare Interoperability. Because fax remains a ubiquitous electronic document exchange protocol for highly sensitive and legally binding documents, Consensus is in the healthcare communication ecosystem and our goal is to build on that foundation to become a participant in the larger healthcare interoperability solutions space.

Recurring Revenue Stream. Our revenues consist of monthly recurring subscription and usage-based fees, with monthly recurring subscription revenue representing approximately 69% of our total subscription revenue for 2024. Our cancellation rates have remained relatively steady over time, and we expect this trend to continue into the future given that many of the services we provide are critical to our customers' business operations.

Global and Diversified Customer Base. Our customers are located globally across six continents. We believe that our product-line and geographic diversity, combined with our lack of customer concentration, will help us mitigate the effects of isolated downturns in various end markets.

Operational Efficiency and Capital Discipline. The recurring nature of our revenue, combined with high operational efficiency, results in predictable and attractive margins and free cash flow generation. As we evaluate growth investments and expansion into new verticals, we will measure against metrics and parameters that promote efficient and prudent use of capital to generate sustained shareholder value.

Proven and Experienced Management Team. Our experienced management team has a highly successful track record with regard to both business performance among its industry peer group, growing new business lines and identifying and integrating strategic acquisitions.

Our Strategy

Our strategy focuses on generating attractive organic growth, achieving solid margins and free cash flow generation, pursuing value-accretive acquisitions and delivering high value to our shareholders. Our strategy includes:

- Continuing to grow in Corporate secure information exchange;
- Providing healthcare interoperability solutions;
- Optimizing eCommerce (SoHo) revenue streams;
- Leveraging our technology to enter new markets (e.g., government);
- Positioning the business for sustained growth through continued focus on profitability and cash flow generation;
- Focused investments in our products and capabilities; and

• Complementing organic growth investments with targeted acquisitions.

Patents and Proprietary Rights

We regard the protection of our intellectual property rights as important to our success. We aggressively protect these rights by relying on a combination of patents, trademarks, copyrights, trade dress and trade secrets. We also enter into confidentiality and intellectual property assignment agreements with employees and contractors, and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information.

Through a combination of internal technology development and acquisitions, we have built a portfolio of numerous U.S. and foreign patents. Several of our U.S. patents have been reaffirmed through reexamination proceedings before the United States Patent and Trademark Office ("USPTO"). We intend to continue to invest in patents, to aggressively protect our patent assets from unauthorized use and to generate patent licensing revenues from authorized users.

We seek patents for inventions that may contribute to our business or technology sector. In addition, we have multiple pending U.S. and foreign patent applications, covering components of our technology and in some cases technologies beyond those that we currently offer. Unless and until patents are issued on the pending applications, no patent rights can be enforced.

We have obtained patent licenses for certain technologies where such licenses are necessary or advantageous.

We own and use a number of trademarks in connection with our services. Many of these trademarks are registered worldwide, and numerous trademark applications are pending around the world. We hold numerous internet domain names and we have filed to protect our rights to our brands in certain alternative top-level domains such as ".org", ".net", ".biz", ".info" and ".us", among others.

Like other technology-based businesses, we face the risk that we will be unable to protect our intellectual property and other proprietary rights and the risk that we will be found to have infringed the proprietary rights of others. For more information regarding these risks, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K.

Government Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business over the internet and, in some cases, using services of third-party telecommunications and internet service providers. These include, among others, laws and regulations addressing privacy, data storage, retention and security, freedom of expression, content, taxation, numbers, advertising and intellectual property. For information about the regulations to which we are subject and the risks we face with respect to governmental regulation, please see Item 1A of this Annual Report on Form 10-K entitled Risk Factors.

Seasonality

General economic conditions have an impact on our business and financial results. From time to time, the markets in which we sell our products, services and solutions experience weak economic conditions that may negatively affect sales. We traditionally experience marginally lower than average usage and customer sign-ups in the fourth quarter. Our revenues are also impacted by the number of effective business days in a given period.

Research and Development

The markets for our services are evolving rapidly, requiring ongoing expenditures for research and development and timely introduction of new services and service enhancements. Our future success will depend, in part, on our ability to enhance our current services, to respond effectively to technological changes, attract and retain engineering talent, sell additional services to our existing customer base and introduce new services and technologies that address the increasingly sophisticated needs of our customers.

We devote significant resources to develop new services and service enhancements. For more information regarding the technological risks that we face, please refer to the section entitled Risk Factors contained in Item 1A of this Annual Report on Form 10-K. None of our employees are represented by collective bargaining.

Human Capital Resources

As of December 31, 2024, we had 518 employees, with just less than one-quarter of the employees located outside of the United States. Our ability to continue to attract, retain and motivate our highly qualified workforce is very important to our continued success.

Our Culture

We have a strong enterprise-wide culture that focuses on our core values – strive for excellence, demonstrate empathy, embrace innovation, foster open communication, focus on solutions, and be driven by data as we make decisions, and in turn, deliver solid business results. Our mission is to be the trusted global source for the transformation, enhancement and secure exchange of digital information. Our vision is to deliver life's essential data when, where and how you need it.

Our cloud fax users and employees are diverse. We recognize that each employee's unique experiences, perspectives and viewpoints add value to our ability to create and deliver the most innovative work environment for our employees and the best possible service to our diverse customers. To this effect, we promote and implement trainings and events to foster a respectful, collaborative, and professional workplace environment where each employee feels they can contribute to the overall success of the Company.

We reinforce our culture and our values by seeking out qualified candidates who align well with our organizational priorities and values. We continue to evolve our programs to meet our colleagues' health and wellness needs, which we believe are essential to attract and retain employees of the highest caliber, and we offer a competitive benefits package focused on fostering work/life integration.

Employee Compensation & Benefits

Compensation is an important consideration for all of our employees and we strive to pay competitive compensation packages that reflect the success of the business and the individual contributions of each colleague. We are committed to fair pay practices and roles are periodically benchmarked to help inform where adjustments may be needed.

We provide our employees with benefits we believe will optimize the talent critical for our success and promote day to day well-being. Our benefits include comprehensive health insurance coverage covering 85% of health insurance premiums for covered U.S. employees and their families, an employee stock purchase program, share based compensation, flexible time off, sick time off, up to 6 weeks of paid pregnancy leave, up to 10 weeks of paid parental leave and 24 hours annually of fully paid volunteer time off.

Competition

We face competition from, among others, online fax-providers, traditional fax machine or multifunction printer companies, electronic signature companies, healthcare interface companies, health information service providers and robotic process automation companies.

Our solutions relate to online faxing and compete primarily against traditional fax machine manufacturers, which are generally large and well-established companies, as well as publicly traded and privately-held providers of fax servers and related software and outsourced fax services. Some of these companies may have greater financial and other resources than we do.

As we pursue our expansion into expanded secure information delivery services and healthcare interoperability services, we compete against other providers of secure information delivery services, including providers of electronic signature solutions.

We believe that the primary competitive factors determining our success in the market for our services include: financial strength and stability; pricing; reputation for reliability and security of service; breadth and depth of product functionality; intellectual property ownership; effectiveness of customer support; sign-up, service and software ease-of-use; service scalability; customer messaging and branding; geographic coverage; scope of services; currency and payment method acceptance; and local language sales, messaging and support.

For more information regarding the competition that we face, see “Risk Factors—Risks Related to Our Business—The markets in which we operate are highly competitive, and our competitors may have greater resources to commit to growth, superior technologies, cheaper pricing or more effective marketing strategies. Also, we face significant competition for users, developers and distributors”.

Consensus Cloud Solutions, Inc. Spin-Off

On October 7, 2021, J2 Global, Inc. (now known as "Ziff Davis”, “Former Parent Company” or “Former Parent”) completed its previously announced plans to separate into two leading publicly traded companies: one addressing healthcare interoperability and comprising the Cloud Fax business, which does business as Consensus Cloud Solutions, Inc., and one that will continue the Former Parent’s strategy of building a leading internet platform focused on key verticals, including technology & gaming, shopping, health, cybersecurity and martech, which will do business as Ziff Davis. We refer to the transactions that resulted in the separation of Consensus and Ziff Davis into two separate publicly traded companies as the “Spin-Off” or “separation and distribution”. Ziff Davis has sold, or otherwise disposed of, its shares of Consensus capital stock, reducing its beneficial ownership in the Company to zero as of December 31, 2024.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) with the Securities and Exchange Commission (the “SEC”). Such reports and other information and amendments thereto filed or furnished by the Company with the SEC are available free of charge on the Company’s website at www.consensus.com as soon as reasonably practicable after we file such reports with, or furnish them to, the SEC’s website. The information on our website is not part of this report. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings we file electronically with the SEC at www.sec.gov. Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees. The Code is posted on the corporate governance page of Consensus’ website and can be accessed at http://investor.consensus.com. Any changes to or waiver of our Code of Business Conduct and Ethics for senior financial officers, executive officers or directors will be posted on that website, to the extent required under Nasdaq or SEC rules.

Item 1A. Risk Factors

Before deciding to invest in Consensus or to maintain or increase your investment, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K and our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, prospects, financial condition, operating results and cash flows could be materially adversely affected. In that event, the market price of our common stock will likely decline and you may lose part or all of your investment.

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Risks Related To Our Business

- Our fax services constitute substantially all of our revenue and operating income.
- Developments in the healthcare industry could adversely affect our business.
- The market for our products and services is rapidly evolving. If the market does not develop further, develops more slowly, or in a way that we do not expect, our business will be adversely affected.
- There are particular challenges in addressing the market for healthcare interoperability solutions.
- Our industry is undergoing rapid technological changes, including with the introduction of artificial intelligence ("AI"), and we may not be able to keep up.
- We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results.
- Current or future pandemics or global health crises, and related governmental responses could negatively affect our business, operations and financial performance.
- Our business could suffer if providers of broadband Internet access services block, impair or degrade our services.
- Our business is dependent on a small number of telecommunications carriers in each region and our inability to maintain agreements at attractive rates with such carriers may negatively impact our business.
- The successful operation of our business depends on the supply of critical business elements from other companies, including data center services.
- Our sales cycle with enterprise and commercial customers can be long and unpredictable, and our sales efforts require considerable time and expense.
- We face risks associated with system failures, cybersecurity breaches and other technological issues.
- The markets in which we operate are highly competitive, and we may not be successful in growing our brands or revenue.
- We may be found to infringe the intellectual property rights of others, and we may be unable to adequately protect of our own intellectual property rights.
- We may be subject to risks from international operations, including risks associated with currency fluctuations and foreign exchange controls and adverse changes in global financial markets.
- We may be engaged in legal proceedings that could cause us to incur unforeseen expenses and could divert significant operational resources and our management's time and attention.
- Our business is highly dependent on our billing systems functioning properly, and we face risks associated with card declines and merchant standards imposed by card companies.
- Changes in our tax rates, changes in tax treatment of companies engaged in e-commerce, the adoption of new U.S. or international tax legislation, or exposure to additional tax liabilities may adversely impact our financial results.
- We face risks associated with political instability and volatility in the economy.

Risks Related To Regulation, Including Taxation

- Changes in regulations relating to health information communication protocols could affect our business.
- Our services may become subject to burdensome regulation, which could increase our costs or restrict our service offerings.
- Changes in our tax rates, changes in tax treatment of companies engaged in e-commerce, the adoption of new U.S. or international tax legislation, or exposure to additional tax liabilities may adversely impact our financial results.
- Taxing authorities may successfully assert that we should have collected, or in the future should collect sales and use, telecommunications or similar taxes, and we could be subject to liability with respect to past or future tax, which could adversely affect our operating results.
- We are subject to a variety of new and existing laws and regulations which could subject us to claims, judgments, monetary liabilities, and other remedies, and to limitations on our business practices.

Risks Related To Our Common Stock

- We cannot be certain that an active trading market for our common stock will continue to be available and our stock price has in the past and may in the future fluctuate significantly.
- Shares of our common stock generally will be eligible for resale, which may cause our stock price to decline.
- We do not intend to pay dividends on our common stock.
- We previously identified material weaknesses in internal control over financial reporting and if we fail to design and maintain effective internal control over financial reporting it could adversely affect our business, reputation, results of operations and stock price.

Risks Related to the Separation

- If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Ziff Davis, Consensus and Ziff Davis stockholders could be subject to significant tax liabilities, and, in certain circumstances, Consensus could be required to indemnify Ziff Davis for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.
- Our debt obligations could adversely affect our business and our ability to meet our obligations and pay dividends.
- We and Ziff Davis continue to have some obligations under transaction agreements that were executed as part of the separation.

Risks Related To Our Business

Our fax services constitute substantially all of our revenue and operating income.

Cloud fax revenue constitutes substantially all of our revenues and our operating income. The success of our business is therefore dependent upon the continued use of cloud fax as a messaging medium and our ability to expand usage of our other current and future products and services in the secure data exchange area. While our strategy is to pursue development of a range of products to address secure data exchange needs, if the demand for cloud fax as a messaging medium decreases and we are unable to replace lost revenues from decreased usage or cancellation of our cloud fax services with other products and services, or a proportional increase in our customer base, our business, financial condition, operating results and cash flows could be materially and adversely affected.

We believe that one of the attractive features of our cloud fax products is that cloud fax signatures are a generally accepted method of executing contracts and a method of transmitting confidential information in a secure manner especially in the healthcare field in the United States. There are ongoing efforts by governmental and nongovernmental entities to create a universally accepted method for electronically signing documents. Widespread adoption of so-called “digital signatures” have reduced, and could continue to in the future reduce demand for our fax services where the fax service is primarily being used to evidence a wet signature. While we have introduced a digital signature product, other companies have offered such products for longer and have greater customer adoption. If future adoption of digital signature products results in a reduction for our fax services without a corresponding adoption of our digital signature or other products, it could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Developments in the healthcare industry could adversely affect our business.

A significant portion of our strategy is focused on addressing the secure data exchange and interoperability needs of the healthcare industry and could be affected by circumstances affecting the healthcare industry, including government regulation or other industry circumstances that affect spending in the healthcare industry. Industry changes affecting healthcare, such as government regulation or private initiatives that affect the manner in which healthcare industry participants exchange data, consolidation of healthcare industry participants, reductions in governmental funding for healthcare or adverse changes in business or economic conditions affecting healthcare industry participants could affect the market for our offerings. See the risk factor titled "Changes in regulations relating to health information communication protocols could affect our business" under the heading "Risks Related to Regulation Including Taxation." The healthcare industry has changed significantly in recent years, and we expect that significant changes to the healthcare industry will continue to occur. However, the timing and impact of developments in the healthcare industry are difficult to predict. We cannot assure you that the demand for our offerings will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in the healthcare industry.

The market for our products and services is relatively new and rapidly evolving. If the market does not develop further, develops more slowly, or in a way that we do not expect, our business will be adversely affected.

Part of our strategy is to develop products and services to address customers' needs in the secure data exchange and healthcare interoperability spaces. The market for secure data exchange and healthcare interoperability products and services is relatively new and rapidly evolving, which makes our business and future prospects difficult to evaluate. Our healthcare interoperability products beyond our online fax products have been recently introduced and currently represent an immaterial portion of our revenues. It is difficult to predict customer demand for our products and services, customer retention and expansion rates, the size and growth rate of the market for secure data exchange and healthcare interoperability products and services, the entry of competitive products or the success of existing competitive products. In response to customer demand, it is important to our success that we continue to enhance our software products and services and to seek to set the standard for secure data exchange capabilities. We expect that we will continue to need significant product development and sales efforts to attract and educate prospective customers, particularly enterprise and commercial customers, about the uses and benefits of our products and services. The size and growth of our addressable market depends on a number of factors, including the level of our customers' adoption of our critical data exchange and interoperability solutions, as well as changes in the competitive landscape, technological changes, budgetary constraints of our customers, changes in business practices, changes in regulations and changes in economic conditions. If customers do not accept the value proposition of our offerings, then a viable market for products and services may not develop further, or it may develop more slowly than we expect, either of which would adversely affect our business and operating results.

There are particular challenges in addressing the market for healthcare interoperability solutions. If we do not successfully address these challenges, our business will be adversely affected.

There are many challenges to addressing the healthcare interoperability market. Healthcare providers, including hospitals and medical practices, have adopted an enormous variety of data storage, management and exchange solutions that are often not compatible with solutions adopted by other providers. This enormous variety of incompatible systems makes it technically challenging to provide effective solutions to the healthcare interoperability market and is a large part of the reason that the healthcare industry continues to rely heavily on fax for secure data exchange.

The healthcare industry is being driven to find interoperability solutions by government regulation and market forces. However, individual healthcare providers, including hospitals or medical practices, may have concerns about adopting healthcare interoperability solutions due to privacy or security concerns or concerns about patient retention. This dynamic may make it more difficult to drive adoption of our healthcare interoperability solutions.

A wide variety of providers are working on solutions to address healthcare interoperability challenges, and interoperability can be defined in a variety of ways. For example, the Health Information Systems Management Society ("HIMSS"), which is generally recognized as an authority on health information technology, released its definition of interoperability and defined it four ways: foundational, structural, semantic and organizational. Customers or vendors could use any of these four components to define their particular "interoperability solution." Separately, the Center for Medicare and Medicaid Services further defined a fifth component of interoperability that includes patients, which is not included in the HIMSS definition. Furthermore, the Office of the National Coordinator for Health Information Technology (the "ONC") has developed another definition that is included in the 21st Century Cures Act, which includes the concept of "information blocking" as a component of healthcare interoperability. This wide variety of definitions has the potential to create a risk of confusion in the market, or allow competitors to reframe the problem to their advantage in a competitive situation, potentially allowing less robust solutions to hold themselves out as healthcare interoperability solutions. We expect to encounter significant competition for customers as the healthcare interoperability market develops. Our current competitors in the healthcare interoperability space currently consist mostly of point solutions rather than full suites of healthcare interoperability solutions. If other companies develop solutions to address healthcare operability challenges more successfully than we do, or if customers otherwise adopt competing solutions rather than our solutions, it will adversely affect our business and operating results.

Our industry is undergoing rapid technological changes, and we may not be able to keep up. If our products and services do not gain market acceptance, our operating results may be negatively affected.

Our success depends upon our ability to design, develop, test, market, license, sell and support new products and services and enhancements of current products and services that effectively address the critical data exchange and healthcare interoperability needs of our customers. Our success also depends on our ability to offer such products and services on a timely basis in response to both competitive threats and marketplace demands. The secure data exchange industry is subject to rapid and significant technological change, and effectively addressing the issue of healthcare interoperability is a complex technological challenge. We cannot predict the effect of technological changes on our business. We expect that new products, services and technologies will emerge in the markets in which we compete. These new products, services and technologies may be superior to the products, services and technologies that we use, or these new products, services and technologies may render our products, services and technologies obsolete. Our future success will depend, in part, on our ability to anticipate correctly and adapt effectively to technological changes and evolving industry standards and customer preferences. We expect to invest in the development or acquisition of new technologies, and we may fail to predict accurately which technologies will be adopted in the marketplace. The timing and level of commercial success of new products and services depends on many factors, including the degree of innovation of the products and services we develop or acquire and effective distribution and marketing. We may be unable to develop or acquire new technologies in a cost effective manner or at all, and may therefore be unable to offer products or services in a competitive or profitable manner. Any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results.

We intend to continue to develop new products and services and enhance existing products and services through acquisitions of other companies, technologies and personnel.

Acquisitions involve numerous risks, including the following:

- difficulties in integrating the operations, systems, controls, technologies, products and personnel of the acquired businesses;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets may have stronger market positions;
- diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from acquisitions; and
- the potential loss of key employees, customers, distributors, vendors and other business partners of the businesses we acquire.

Acquisitions may also cause us to:

- use a substantial portion of our cash resources or incur debt;
- significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- assume liabilities;
- issue common stock that would dilute our current stockholders' percentage ownership;
- record goodwill and intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets; and
- become subject to intellectual property or other litigation.

Mergers and acquisitions are inherently risky and subject to many factors outside of our control. We cannot give assurance that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business and operating results. In addition, our effective tax rate for future periods is uncertain and could be impacted by mergers and acquisitions.

Pandemics or global health crises, and related governmental responses could negatively affect our business, operations and financial performance.

The impact of pandemics and global health crises, such as the COVID-19 pandemic, has in the past had, and may in the future have, a negative effect on the global economy, disrupting the financial markets and creating increasing volatility and overall uncertainty. Among other things, pandemics and global health crises have resulted in, and may in the future result in, travel bans around the world, declarations of states of emergency, stay- or shelter-at-home requirements, business and school closures and manufacturing restrictions. In addition, pandemics and global health crises have in the past, and may in the future, contribute to (i) increased unemployment and decreased consumer confidence and business generally; (ii) sudden and significant declines, and significant increases in volatility, in financial and capital markets; (iii) increased spending on our business continuity efforts, which has required and may further require that we cut costs or investments in other areas; and (iv) heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements.

The extent of any future adverse effects of pandemics or global health crises will depend on future developments, which are highly uncertain and outside our control, including the scope and duration of the pandemic, the emergence and virulence of new variants, the effect of the rollout of vaccines on the pandemic and public acceptance of vaccines, the direct and indirect impact of the pandemic on our employees, customers, counterparties and service providers, as well as other market participants, and actions taken by governmental authorities and other third parties in response to the pandemic.

Our business could suffer if providers of broadband Internet access services block, impair or degrade our services.

Our business is dependent on the ability of our customers to access our services and applications over broadband Internet connections. Internet access providers and Internet backbone providers may be able to block, degrade or charge for access or bandwidth use of certain of our products and services, which could lead to additional expenses and the loss of users. Our products and services depend on the ability of our users to access the Internet. Use of our products and services through mobile devices, such as smartphones and tablets, must have a high-speed data connection. Broadband Internet access services, whether wireless or landline, are provided by companies with significant market power. Many of these providers offer products and services that directly compete with ours.

Many of the largest providers of broadband services have publicly stated that they will not degrade or disrupt their customers' use of products and services like ours. If such providers were to degrade, impair or block our services, it would negatively impact our ability to provide services to our customers and likely result in lost revenue and profits, and we would incur legal fees in attempting to restore our customers' access to our services. Broadband internet access providers may also attempt to charge us or our customers additional fees to access services like ours that may result in the loss of customers and revenue, decreased profitability, or increased costs to our retail offerings that may make our services less competitive.

Our business is dependent on a small number of telecommunications carriers in each region and our inability to maintain agreements at attractive rates with such carriers may negatively impact our business.

Our business substantially depends on the capacity, affordability, reliability and security of our network and services provided to us by our telecommunications suppliers. Only a small number of carriers in each region, and in some cases only one carrier, offer the number and network services we require. We purchase certain telecommunications services pursuant to short-term agreements that the providers can terminate or elect not to renew. As a result, any or all of our current carriers could discontinue providing us with service at rates acceptable to us, or at all, and we may not be able to obtain adequate replacements, which could materially and adversely affect our business, prospects, financial condition, operating results and cash flows.

Our business could suffer if we cannot obtain or retain numbers, are prohibited from obtaining local numbers or are limited to distributing local numbers to only certain customers.

The future success of our phone number-based cloud fax services products depends on our ability to procure large quantities of local numbers in the U.S. and other countries in desirable locations at a reasonable cost and offer our services to our prospective customers without restrictions. Our ability to procure and distribute numbers depends on factors such as applicable regulations, the practices of telecommunications carriers that provide numbers, the cost of these numbers and the level of demand for new numbers. For example, several years ago the Federal Communications Commission (the "FCC") conditionally granted petitions by Connecticut and California to adopt specialized "unified messaging" area codes, but neither state has adopted such a code. Adoption of a specialized area code within a state or nation could harm our ability to compete in that state or nation if it materially affects our ability to acquire numbers for our operations or makes our services less attractive due to the unavailability of numbers with a local geographic area.

In addition, although we are the customer of record for all of our U.S. numbers, from time to time, certain U.S. telephone carriers inhibit our ability to port numbers or port our numbers away from us to other carriers. If a federal or regulatory agency determines that our customers should have the ability to port numbers without our consent, we may lose customers at a faster rate than what we have experienced historically, potentially resulting in lower revenues. Also, in some foreign jurisdictions, under certain circumstances, our customers are permitted to port their numbers to another carrier. These factors could lead to increased cancellations by our customers and loss of our number inventory. These factors may have a material adverse effect on our business, prospects, financial condition, operating results, cash flows and growth in or entry into foreign or domestic markets.

In addition, future growth in our phone number-based cloud services customer base, together with growth in the customer bases of other providers of phone number-based services, has increased and may continue to increase the demand for large quantities of numbers, which could lead to insufficient capacity and our inability to acquire sufficient numbers to accommodate our future growth.

The successful operation of our business depends upon the supply of critical business elements from other companies.

We depend upon third parties for critical elements of our business, and we do not control the operations of these parties or their facilities on which we depend. We rely on private third-party providers for our Internet, telecommunications and other connections and for data center hosting facilities and cloud computing needs. We have from time to time experienced interruptions in our services and such interruptions may occur in the future. Any damage to or disruption in the services provided by any of these suppliers, any adverse change in access to their platforms or services or in their terms and conditions of use or services, any cybersecurity or physical breach of their facilities, or any failure by them to handle current or higher volumes of activity could have a material adverse effect on our customer relations, business, prospects, financial condition, operating results and cash flows. Our arrangements with these third parties typically are not exclusive and do not extend over a significant period of time. Failure to continue these relationships on terms that are acceptable to us or to continue to create additional relationships could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows. We do not control the operation of third-party facilities, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism, and similar misconduct, as well as local administrative actions, changes to legal or permitting requirements, and litigation to stop, limit, or delay operation. The occurrence of a natural disaster, a pandemic (such as COVID-19) or an act of terrorism, a decision to close the facilities without adequate notice, or other unanticipated problems at these facilities could result in lengthy interruptions in our services.

These hardware, software, data, and cloud computing systems may not continue to be available at reasonable prices, on commercially reasonable terms, or at all. Any loss of the right to use any of these hardware, software, or cloud computing systems could significantly increase our expenses and otherwise result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained through purchase or license, and integrated into our services.

We may be subject to increased rates for the telecommunications services we purchase from regulated carriers which could require us to either raise the retail prices of our offerings and lose customers or reduce our profit margins.

The FCC may continue to reform the system under which regulated providers of telecommunications services compensate each other for the exchange of various kinds of traffic. While we are not a provider of regulated telecommunications services, we rely on such providers to offer our services to our customers. As a result of any such reforms, it is possible that some or all of our underlying carriers will increase the rates we pay for certain telecommunications services. Should this occur, the costs we incur to provide phone number-based cloud services may increase which may require us to increase the retail price of our products services. Increased prices could, in turn, cause us to lose customers, or, if we do not pass on such higher costs to our customers, our profit margins may decrease.

Increased cost of email transmissions could have a material adverse effect on our business.

We rely on email for the delivery of certain cloud fax services. If regulations or other changes in the industry lead to a charge associated with the sending or receiving of email messages, the cost of providing our services could increase and, if significant, could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

Our sales cycle with enterprise and commercial customers can be long and unpredictable, and our sales efforts require considerable time and expense.

Our ability to increase our revenue and grow our business is partially dependent on the widespread acceptance of our products and services by large businesses and other commercial organizations. We often need to spend significant time and resources to better educate and familiarize these potential customers with the value proposition of our products and services. The length of our sales cycle for enterprise customers from initial evaluation to payment for our offerings can be as long as 12 to 18 months but can vary substantially from customer to customer and from offering to offering. Further, these enterprise and commercial customers may require services based on volume of usage which can vary seasonally and/or slowly ramp up over an initiation period of 12-36 months. Customers frequently require considerable time to evaluate, test and qualify our offerings prior to entering into or expanding a subscription. This is particularly true in the case of customers in highly regulated industries, including healthcare, where longer evaluation, testing and qualification processes often result in longer sales cycles and set-up time. The timing and contractual commitments of our sales with our enterprise customers and related revenue recognition is difficult to predict because of the length and unpredictability of the sales cycle and the variable usage of the services by these customers. During the sales cycle, we expend significant time and money on sales and marketing and contract negotiation activities, which may not result in any sale or any significant sale.

A system failure, cybersecurity breach or other technological risk could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

Our operations are dependent on our network being free from material interruption by damage from fire, earthquake, flood, storm, tornado and other severe weather and climate conditions (including those resulting from or exacerbated by climate change), power loss, telecommunications failure, unauthorized entry, computer viruses, cyber-attacks or any other events beyond our control. Similarly, the operations of our partners and other third parties with which we work are also susceptible to the same risks. There can be no assurance that our existing and planned precautions of backup systems, regular data backups, security protocols and other procedures will be adequate to prevent significant damage, system failure or data loss and the same is true for our partners, vendors and other third parties on which we rely. We have experienced automated log in attempts to gain unauthorized access to customer accounts. To date, these events have not resulted in the material impairment of any business operations.

Many of our services are cloud and web-based, and the amount of data we store for our customers on our servers has been increasing. Despite the implementation of security measures, our infrastructure, and that of our partners, vendors and other third parties, may be vulnerable to computer viruses, hackers or similar disruptive problems caused by our vendors, partners, other third parties, customers employees or other internet users who attempt to invade public and private data networks. As seen in the industries in which we operate and others, these activities have been, and will continue to be, subject to continually evolving cybersecurity and technological risks. Further, in some cases we do not have in place disaster recovery facilities for certain ancillary services.

A significant portion of our operations relies heavily on the secure processing, storage and transmission of confidential and other sensitive data. For example, a significant number of our customers authorize us to bill their credit or debit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology to effect secure transmission of confidential information, including customer credit and debit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments, including the use of increasingly sophisticated and evolving artificial intelligence and machine learning tools, may result in a material compromise or breach of the technology used by us, our partners, vendors, or other third parties, to protect transaction and other confidential data. Additionally, due to geopolitical tensions related to Russia's invasion of Ukraine and the conflict in the Middle East, the risk of cyber-attacks may be elevated. Moreover, these threats are constantly evolving, thereby making it more difficult to successfully defend against them or to implement adequate preventative measures. We may not have the current capability to detect certain vulnerabilities, which may allow those vulnerabilities to persist in our systems over long periods of time. Any system failure or security breach that causes interruptions or data loss in our operations, our partners, vendors, or other third parties, or in the computer systems of our customers or leads to the misappropriation of our or our customers' confidential information could result in a significant liability to us (including in the form of judicial decisions and/or settlements, regulatory findings and/or forfeitures, and other means), cause considerable harm to us and our reputation (including requiring notification to customers, regulators, and/or the media), cause a loss of confidence in our products and services, and deter current and potential customers from using our services.

We use vendors to assist with cybersecurity risks, but these vendors may not be able to assist us adequately in preparing for or responding to a cybersecurity incident. We maintain insurance related to cybersecurity risks, but this insurance may not be sufficient to cover all of our losses from any breaches or other adverse consequences related to a cybersecurity-event.

Any of these events could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows, or cause us to suffer other negative consequences. For example, we may incur remediation costs (such as liability for stolen assets or information, repairs of system damage, and incentives to customers or business partners in an effort to maintain relationships after an attack); increased cybersecurity protection costs (which may include the costs of making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants); lost revenues resulting from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack; litigation and legal risks (including regulatory actions by state and federal governmental authorities and non-U.S. authorities); increased insurance premiums; reputational damage that adversely affects customer or investor confidence; and damage to the company's competitiveness, stock price, and diminished long-term shareholder value. Although we have experienced, and expect to continue to confront, efforts by third parties to gain unauthorized access or deny access to, or otherwise disrupt, our information systems, to date, these events have not resulted in the material effect of any business operations.

If our products and services fail to perform properly and if we fail to develop enhancements to resolve any defect or other problems, we could lose customers or become subject to service performance or warranty claims, and our market share could decline.

Our operations are dependent upon our ability to prevent system interruptions and, as we continue to grow, we will need to devote additional resources to improving our infrastructure in order to maintain the performance of our products and services. The applications underlying our products and services are inherently complex and may contain material defects or errors, which may cause disruptions in availability or other performance problems. We have from time to time found defects in our products and services and may discover additional defects in the future that could result in data unavailability or unauthorized access or other harm to, or loss or corruption of, our customers' data. While we implement bug fixes and upgrades as part of our regularly scheduled system maintenance, we may not be able to detect and correct defects or errors before implementing our products and services. Consequently, we or our customers may discover defects or errors after our products and services have been employed. If we fail to perform timely maintenance or if customers are otherwise dissatisfied with the frequency and/or duration of our maintenance services and related system outages, our existing customers could elect not to renew their subscriptions, delay or withhold payment to us, or cause us to issue credits, make refunds or pay penalties, potential customers may not adopt our products and services and our brand and reputation could be harmed. In addition, the occurrence of any material defects, errors, disruptions in service or other performance problems with our software could result in warranty or other legal claims against us and diversion of our resources. The costs incurred in addressing and correcting any material defects or errors in our software and expanding our infrastructure and architecture in order to accommodate increased demand for our products and services may be substantial and could adversely affect our operating results.

The markets in which we operate are highly competitive, and our competitors may have greater resources to commit to growth, superior technologies, cheaper pricing or more effective marketing strategies. Also, we face significant competition for users, developers and distributors.

Some of our competitors include major companies with much greater resources and significantly larger customer bases than we have. Some of these competitors offer their services at lower prices than we do. These companies may be able to develop and expand their network infrastructures and capabilities more quickly, adapt more swiftly to new or emerging technologies, such as artificial intelligence, and changes in customer requirements, take advantage of acquisition and other opportunities more readily and devote greater resources to the marketing and sale of their products and services than we can. There can be no assurance that additional competitors will not enter markets that we are currently serving and plan to serve or that we will be able to compete effectively. Competitive pressures may reduce our revenue, operating profits or both.

Some of our existing competitors and possible entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and greater operational, strategic, technological, financial, personnel, or other resources than we do. Many of our competitors have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions, technologies, and research and development. Further, emerging start-ups may be able to innovate and provide new products and services faster than we can. In addition, competitors may consolidate with each other or collaborate, and new competitors may enter the market. Some of our competitors in international markets have a substantial competitive advantage over us because they have dominant market share in their territories, are owned by local telecommunications providers, have greater brand recognition, are focused on a single market, are more familiar with local tastes and preferences, or have greater regulatory and operational flexibility due to the fact that we may be subject to both U.S. and foreign regulatory requirements.

If our competitors are more successful than we are in developing and deploying compelling products or in attracting and retaining users, advertisers, publishers, developers, or distributors, our revenue and growth rates could decline.

Our growth will depend on our ability to develop, strengthen, and protect our brands, and these efforts may be costly and have varying degrees of success.

Some of our brands, such as eFax are widely recognized, while others of our brands, including Consensus, are relatively new to the market. Developing Consensus or other new brands into competitive brands and strengthening our current brands will be critical to achieving widespread commercial acceptance of our products and services. This will require our continued focus on active marketing, the costs of which have been increasing and may continue to increase. In addition, substantial initial investments may be required to launch new brands and expand existing brands to cover new geographic territories and fields. Accordingly, we may need to spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other efforts to cultivate brand recognition and customer loyalty. Brand promotion activities may not yield increased revenues and, even if they do, increased revenues may not offset the expenses incurred. A failure to launch, promote, and maintain our brands, or the incurrence of substantial expenses in doing so, could have a material adverse effect on our business.

Our brand recognition depends, in part, on our ability to protect our trademark portfolio and establish trademark rights covering new brands and territories. Some regulators and competitors have taken the view that certain of our brands, such as eFax, are descriptive or generic when applied to the products and services we offer. Nevertheless, we have obtained U.S. and foreign trademark registrations for our brand names, logos, and other brand identifiers, including eFax. If we are unable to obtain, maintain or protect trademark rights covering our brands across the territories in which they are or may be offered, the value of these brands may be diminished, competitors may be able to dilute, harm, or take advantage of our brand recognition and reputation, and our ability to attract customer may be adversely affected.

We hold domain names relating to our brands, in the U.S. and internationally. The acquisition and maintenance of domain names are generally regulated by governmental agencies and their designees. The regulation of domain names may change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain all relevant domain names that relate to our brands. Furthermore, international rules governing the acquisition and maintenance of domain names in foreign jurisdictions are sometimes different from U.S. rules, and we may not be able to obtain all of our domains internationally. As a result of these factors, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our brands, trademarks or other proprietary rights. In addition, failure to secure or maintain domain names relevant to our brands could adversely affect our reputation and make it more difficult for users to find our websites and services.

Inadequate intellectual property protections could prevent us from defending our proprietary technology and intellectual property.

Our success depends, in part, upon our proprietary technology and intellectual property. We rely on a combination of patents, trademarks, trade secrets, copyrights, contractual restrictions, and other confidentiality safeguards to protect our proprietary technology. However, these measures may provide only limited protection and it may be costly and time-consuming to enforce compliance with our intellectual property rights. In some circumstances, we may not have adequate, economically feasible or realistic options for enforcing our intellectual property and we may be unable to detect unauthorized use. While we have a robust worldwide portfolio of issued patents and pending patent applications, there can be no assurance that any of these patents will not be challenged, invalidated or circumvented, that we will be able to successfully police infringement, or that any rights granted under these patents will in fact provide a competitive advantage to us.

In addition, our ability to register or protect our patents, copyrights, trademarks, trade secrets and other intellectual property may be limited in some foreign countries. As a result, we may not be able to effectively prevent competitors in these regions from utilizing our intellectual property, which could reduce our competitive advantage and ability to compete in those regions and negatively impact our business.

We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights.

Companies that operate in the same industry as us have experienced substantial litigation regarding intellectual property. We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights or determine the validity and scope of intellectual property rights claimed by others. This or any other litigation to enforce or defend our intellectual property rights may be expensive and time consuming, could divert management resources and may not be adequate to protect our business.

We may be found to have infringed the intellectual property rights of others, which could expose us to substantial damages or restrict our operations.

We may be subject to legal claims that we have infringed the intellectual property rights of others. The ready availability of damages and royalties and the potential for injunctive relief have increased the costs associated with litigating and settling patent infringement claims. In addition, we may be required to indemnify our resellers and users for similar claims made against them. Any claims, whether or not meritorious, could require us to spend significant time, money, and other resources in litigation, pay damages and royalties, develop new intellectual property, modify, design around, or discontinue existing products, services, or features, or acquire licenses to the intellectual property that is the subject of the infringement claims. These licenses, if required, may not be available at all or have acceptable terms. As a result, intellectual property claims against us could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

We may be subject to risks from international operations.

To the extent we expand our business operations in countries outside the U.S., our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others: foreign currency exchange rates; political or social unrest, economic instability, geopolitical tensions or war in a specific country or region (including the invasion of Ukraine by Russia and the conflict in the Middle East); trade protection measures and other regulatory requirements, such as U.S. imposed tariffs along with retaliatory measures taken by other nations in response to these tariffs, which may affect our ability to provide our services; difficulties in staffing and managing international operations; and adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries and affiliates and transfer pricing implications. Any or all of these factors could have a material adverse impact on our future business, prospects, financial condition, operating results and cash flows.

Further, the impact on the global economy as a result of unforeseen global crises such as war (including the ongoing conflict in the Middle East, invasion of Ukraine by Russia and any related political or economic responses and counter-responses or otherwise by various global actors), strife, strikes, global health pandemics, earthquakes or major weather events or other uncontrollable events could negatively impact our revenue and operating results.

We may be engaged in legal proceedings that could cause us to incur unforeseen expenses and could divert significant operational resources and our management's time and attention.

From time to time, we may be subject to litigation or claims or become involved in other legal disputes or regulatory inquiries, including in the areas of patent infringement and anti-trust that could negatively affect our business operations and financial condition. Such disputes could cause us to incur unforeseen expenses, divert operational resources, occupy a significant amount of our management's time and attention and negatively affect our business operations and financial condition. The outcomes of such matters are subject to inherent uncertainties, carrying the potential for unfavorable rulings that could include monetary damages and injunctive relief. We may not always have insurance coverage for defense costs, judgments, and settlements. We may also be subject to indemnification requirements with business partners, vendors, current and former officers and directors, and other third parties. Payments under such indemnification provisions may be material.

Our business is highly dependent on our billing systems.

A significant part of our revenues depends on prompt and accurate billing processes. Customer billing is a highly complex process, and our billing systems must efficiently interface with third-party systems, such as those of credit card processing companies. Our ability to accurately and efficiently bill our customers is dependent on the successful operation of our billing systems and the third-party systems upon which we rely, such as our credit card processor, and our ability to provide these third parties the information required to process transactions. In addition, our ability to offer new services or alternative-billing plans is dependent on our ability to customize our billing systems. Any failures or errors in our billing systems or procedures, or any disruptions in billing-related services provided by our vendors, could impair our ability to properly bill our current customers or attract and service new customers, and thereby could materially and adversely affect our business and financial results.

Increased numbers of credit and debit card declines in our business could lead to a decrease in our revenues or rate of revenue growth.

A significant number of our customers pay for our services through credit and debit cards, particularly with respect to our SoHo fax products. Weakness in certain segments of the credit markets and in the U.S. and global economies could result in increased numbers of rejected credit and debit card payments. We believe this could result in increased customer cancellations and decreased customer signups. Rejected credit or debit card payments, customer cancellations and decreased customer sign up may adversely impact our revenues and profitability.

If our business experiences excessive fraudulent activity or cannot meet evolving credit card company merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment and our customer base could decrease significantly.

A significant number of our customers, particularly for our SoHo fax products, authorize us to bill their credit card accounts directly for all service fees charged by us. If people pay for these services with stolen credit cards, we could incur substantial unreimbursed third-party vendor costs. We also incur losses from claims that the customer did not authorize the credit card transaction to purchase our service. If the numbers of unauthorized credit card transactions become excessive, we could be assessed substantial fines for excess chargebacks and could lose the right to accept credit cards for payment. In addition, we are subject to Payment Card Industry ("PCI") data security standards, which require periodic audits by independent third parties to assess our compliance. PCI standards are a comprehensive set of requirements for enhancing payment account data security. Failure to comply with the security requirements or rectify a security issue may result in fines or a restriction on accepting payment cards. Credit card companies may change the standards required to utilize their services from time to time. If we are unable to meet these new standards, we could be unable to accept credit cards. Further, the law relating to the liability of providers of online payment services is currently unsettled and states may enact their own rules with which we may not comply. Substantial losses due to fraud or our inability to accept credit card payments, which could cause our customer base to significantly decrease, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our success depends on our retention of our executive officers, senior management and our ability to hire and retain key personnel.

Our success depends on the skills, experience and performance of our key personnel, including our executive officers, senior management and skilled workforce. The loss of the services of one or more of our key employees could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows. In particular, the recruitment and retention of top technical, marketing, sales and subject matter experts - particularly those with specialized knowledge, will be critical to our success. Competition for such people is intense, substantial and continuous, and we may not be able to attract, integrate or retain highly qualified technical, sales or managerial personnel in the future. In our effort to attract and retain key personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our products or services.

Changes in the labor market, employee turnover, changes in the availability of our employees and labor shortages more generally could result in, increased costs, and could adversely impact the efficiency of our operations.

Political instability and volatility in the economy may adversely affect segments of our customers, which may result in decreased usage and advertising levels, customer acquisition and customer retention rates and, in turn, could lead to a decrease in our revenues or rate of revenue growth.

Certain segments of our customers may be adversely affected by political instability and volatility in the general economy or any downturns. To the extent these customers' businesses are adversely affected by political instability or economic volatility, their usage of our services and/or our customer retention rates could decline. This may result in decreased cloud services subscription and/or usage revenues and decreased advertising, e-commerce or other revenues, which may adversely impact our revenues and profitability. For example, in connection with the conflict between Russia and Ukraine, the U.S. government has imposed severe economic sanctions and export controls and has threatened additional sanctions and controls. The full impact of these measures, or of any potential responses to them by Russia or other countries, on the businesses and results of operations or our customers or us is unknown.

Risks Related To Regulation Including Taxation

Changes in regulations relating to health information communication protocols could affect our business.

The Office of the National Coordinator for Health Information Technology ("ONC") is the principal U.S. federal entity charged with the coordination of nationwide efforts to implement and use health IT for the electronic exchange of health information. ONC regularly proposes legislative changes to incentivize the healthcare industry to adopt specific electronic tools to exchange health information. Changes to information exchange requirements could impact the use of cloud fax as a communication choice for healthcare entities and have a material impact on our business, prospects, financial condition, operating results and cash flows.

We face potential liability related to the privacy and security of health-related information we collect from, or on behalf of, our consumers and customers.

The privacy and security of information about the physical or mental health or condition of an individual is an area of significant focus in the U.S. because of heightened privacy concerns and the potential for significant consumer harm from the misuse of such sensitive data. We have procedures and technology in place intended to safeguard the information we receive from customers and users of our services from unauthorized access or use. The Privacy Standards and Security Standards under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") establish a set of basic national privacy and security standards for the protection of individually identifiable health information by health plans, healthcare clearinghouses and certain healthcare providers, referred to as "covered entities", and the business associates with whom such covered entities contract for services. Notably, whereas HIPAA previously directly regulated only these covered entities, the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH") makes certain of HIPAA's Privacy and Security Standards directly applicable to covered entities' business associates. As a result, business associates are now subject to significant civil and criminal penalties for failure to comply with applicable Privacy and Security Standards. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA.

HIPAA directly applies to covered entities such as our hospital clients. Since these clients disclose protected health information to our subsidiaries so that those subsidiaries can provide certain services to them, those subsidiaries are business associates of those clients. In addition, we may sign business associate agreements in connection with the provision of the products and services developed for other third parties or in connection with certain of our other services that may transmit or store protected health information.

Failure to comply with the requirements of HIPAA or HITECH or any of the applicable federal and state laws regarding patient privacy, identity theft prevention and detection, breach notification and data security may subject us to penalties, including civil monetary penalties and, in some circumstances, criminal penalties or contractual liability under agreements with our customers and clients. Any failure or perception of failure of our products or services to meet HIPAA, HITECH and related regulatory requirements could expose us to risks of investigation, notification, litigation, penalty or enforcement, adversely affect demand for our products and services and force us to expend significant capital and other resources to modify our products or services to address the privacy and security requirements of our clients and HIPAA and HITECH.

Our services may become subject to burdensome regulation, which could increase our costs or restrict our service offerings.

We believe that most of our services are "information services" under the Telecommunications Act of 1996 and related precedent, or, if not "information services," that we are entitled to other exemptions, meaning that we generally are not currently subject to U.S. telecommunications services regulation at both the federal and state levels. We utilize data transmissions over public telephone lines and other facilities provided by third-party carriers. These transmissions are subject to foreign and domestic laws and regulation by the FCC, state public utility commissions and foreign governmental authorities. These regulations affect the availability of numbers, the prices we pay for transmission services, the administrative costs associated with providing our services, the competition we face from telecommunications service providers and other aspects of our market. However, as messaging and communications services converge and as the services we offer expand, we may become subject to FCC or other regulatory agency regulation. It is also possible that a federal or state regulatory agency could take the position that our offerings, or a subset of our offerings, are properly classified as telecommunications services or otherwise not entitled to certain exemptions upon which we currently rely. Such a finding could potentially subject us to fines, penalties or enforcement actions as well as liabilities for past regulatory fees and charges, retroactive contributions to various telecommunications-related funds, telecommunications-related taxes, penalties and interest. It is also possible that such a finding could subject us to additional regulatory obligations that could potentially require us either to modify our offerings in a costly manner, diminish our ability to retain customers, or discontinue certain offerings, in order to comply with certain regulations. Changes in the regulatory environment could decrease our revenues, increase our costs and restrict our service offerings. In many of our international locations, we are subject to regulation by the applicable governmental authority.

In the U.S., Congress, the FCC, and a number of states require regulated telecommunications carriers to contribute to federal and/or state Universal Service Funds ("USF"). Generally, USF is used to subsidize the cost of providing service to low-income customers and those living in high cost or rural areas. Congress, the FCC and a number of states are reviewing the manner in which a provider's contribution obligation is calculated, as well as the types of entities subject to USF contribution obligations. If any of these reforms are adopted, they could cause us to alter or eliminate our non-paid services and to raise the price of our paid services, which could cause us to lose customers. Any of these results could lead to a decrease in our revenues and net income and could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

The Telephone Consumer Protection Act (the "TCPA") and FCC rules implementing the TCPA, as amended by the Junk Fax Act, prohibit sending unsolicited facsimile advertisements to telephone fax machines. The FCC, the Federal Trade Commission ("FTC"), or both may initiate enforcement action against companies that send "junk faxes" and individuals also may have a private cause of action. Although entities that merely transmit facsimile messages on behalf of others are not liable for compliance with the prohibition on faxing unsolicited advertisements, the exemption from liability does not apply to fax transmitters that have a high degree of involvement or actual notice of an illegal use and have failed to take steps to prevent such transmissions. We take significant steps to ensure that our services are not used to send unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement in or notice of the use of our service to broadcast junk faxes. However, because fax transmitters do not enjoy an absolute exemption from liability under the TCPA and related FCC and FTC rules, we could face inquiries from the FCC and FTC or enforcement actions by these agencies, or private causes of action, if someone uses our service for such impermissible purposes. If this were to occur and we were to be held liable for someone's use of our service for transmitting unsolicited faxes, the financial penalties could cause a material adverse effect on our operations and harm our business reputation.

Likewise, the TCPA also prohibits placing calls or sending text messages to mobile phones without "prior express consent" subject to limited exceptions. Parties that solely enable calling or text messaging are only directly liable under the TCPA pursuant to federal common law vicarious liability principles. We take significant steps to ensure that users understand that they are responsible for how they use our technology including complying with relevant federal and state law. However, because we do not enjoy absolute exemption from liability under the TCPA and related FCC and FTC rules, we could face inquiries from the FCC and FTC or enforcement actions by these agencies, or private causes of action, if someone uses our service for such impermissible purposes. If this were to occur and we were to be held liable for someone's use of our service for unauthorized calling or text messaging mobile users, the financial penalties could cause a material adverse effect on our operations and harm our business reputation.

Changes in our tax rates, changes in tax treatment of companies engaged in e-commerce, the adoption of new U.S. or international tax legislation, or exposure to additional tax liabilities may adversely impact our financial results.

We are a U.S.-based multinational company subject to taxes in the U.S. and foreign jurisdictions. Our provision for income taxes is based on a jurisdictional mix of earnings, statutory tax rates and enacted tax rules, including transfer pricing. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. As a result, our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. These changes may adversely impact our effective tax rate and harm our financial position and results of operations.

We are subject to examination by the U.S. Internal Revenue Service ("IRS") and other domestic and foreign tax authorities and government bodies. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our income tax and other tax reserves. If our reserves are not sufficient to cover these contingencies, such inadequacy could materially adversely affect our business, prospects, financial condition, operating results, and cash flows.

In addition, due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations or court decisions may subject us or our customers to additional sales, income and other taxes. For example, the European Union, certain member states, and other countries, as well as states within the United States, have proposed or enacted taxes on online advertising and marketplace service revenues. The application of existing, new or revised taxes on our business, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the internet. Any of these events could have a material adverse effect on our business, financial condition, and operating results.

We are subject to examination for indirect taxes in various states, municipalities and foreign jurisdictions. Management currently believes we have adequate reserves established for these matters. If a material indirect tax liability associated with prior periods were to be recorded, for which there is not a reserve, it could materially affect our financial results for the period in which it is recorded.

Taxing authorities may successfully assert that we should have collected, or in the future should collect sales and use, telecommunications or similar taxes, and we could be subject to liability with respect to past or future tax, which could adversely affect our operating results.

We believe we have provided for state and local sales and use tax, excise, utility user, and ad valorem taxes, fees and surcharges or other similar obligations in all relevant jurisdictions in which we generate sales, based on our understanding of the applicable laws in those jurisdictions. Such tax, fees and surcharge laws and rates vary greatly by jurisdiction, and the application of such taxes to e-commerce businesses, such as ours, is a complex and evolving area. The jurisdictions where we have sales may apply more rigorous enforcement efforts or take more aggressive positions in the future that could result in greater tax liability. In addition, in the future we may also decide to engage in activities that would require us to pay sales and use, telecommunications, or similar taxes in new jurisdictions. Such tax assessments, penalties and interest for failure to comply with current or future laws and regulations may materially adversely affect our business, financial condition and operating results. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

We are subject to a variety of new and existing laws and regulations which could subject us to claims, judgments, monetary liabilities and other remedies, and to limitations on our business practices.

The application of existing domestic and international laws and regulations to us relating to issues such as defamation, pricing, advertising, taxation, promotions, billing, consumer protection, export controls, accessibility, content regulation, data privacy, intellectual property ownership and infringement, and accreditation in many instances is unclear or unsettled. In addition, we will also be subject to any new laws and regulations directly applicable to our domestic and international activities. Internationally, we may also be subject to laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country. We may incur substantial liabilities for expenses necessary to comply with these laws and regulations, as well as potential substantial penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

In certain instances, we may be subject to enhanced privacy obligations based on the type of information we store and process. While we believe we are in compliance with the relevant laws and regulations, we could be subject to enforcement actions, fines, forfeitures and other adverse actions.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act"), which allows for penalties that run into the millions of dollars, requires commercial emails to include identifying information from the sender and a mechanism for the receiver to opt out of receiving future emails. Several states have enacted additional, more restrictive and punitive laws regulating commercial email. Foreign legislation exists as well, including Canada's Anti-Spam Legislation and the European laws that have been enacted pursuant to the GDPR and European Union Directive 2002/58/EC and its amendments. We use email as a significant means of communicating with our existing and potential users. We believe that our email practices comply with the requirements of the CAN-SPAM Act, state laws, and applicable foreign legislation. If we were ever found to be in violation of these laws and regulations, or any other laws or regulations, our business, financial condition, operating results and cash flows could be materially adversely affected.

Many third parties are examining whether the Americans with Disabilities Act ("ADA") concept of public accommodation also extends to websites and to mobile applications. Generally, some plaintiffs have argued that websites and mobile applications are places of public accommodation under Title III of the ADA and, as such, must be equipped so that individuals with disabilities can navigate and make use of subject websites and mobile applications. We cannot predict how the ADA will ultimately be interpreted as applied to websites and mobile applications. We believe we are in compliance with relevant law. If the law changes with the ADA, then any adjustments or requirements to implement any changes prescribed by the ADA could result in increased costs to our business, we may become subject to injunctive relief, plaintiffs may be able to recover attorneys' fees, and it is possible that, while the ADA does not provide for monetary damages, we become subject to such damages through state consumer protection or other laws. It is possible that these potential liabilities could cause a material adverse effect on our operations and harm our business reputation.

As of May 25, 2018, certain data transfers from and between the European Union ("EU") are subject to the GDPR. As discussed in more detail below, the GDPR prohibits data transfers from the EU to other countries outside of the EU, including the U.S., without appropriate security safeguards and practices in place. Previously, for certain data transfers from and between the EU and the U.S., we, like many other companies, had relied on what is referred to as the "EU-U.S. Safe Harbor," in order to comply with privacy obligations imposed by EU countries. The European Court of Justice invalidated the EU-U.S. Safe Harbor. Additionally, other countries that relied on the EU-U.S. Safe Harbor that were not part of the EU have also found that data transfers to the U.S. are no longer valid based on the European Court of Justice ruling. Although U.S. and EU policymakers approved a new framework known as "Privacy Shield" that would allow companies like us to continue to rely on some form of a safe harbor for the transfer of certain data from the EU to the U.S., on July 16, 2020, the Court of Justice of the European Union issued a judgment declaring as "invalid" the European Commission's Decision (EU) 2016/1250 on the adequacy of the protection provided by the EU-U.S. Privacy Shield, rendering it invalid. We cannot predict how or if these issues will be resolved nor can we evaluate any potential liability at this time. While the EU policymakers approved a new EU-U.S. Data Privacy Framework in 2023, the validity of data transfer mechanisms and additional safeguards remains subject to legal, regulatory, and political review and developments in both Europe and the U.S.

The Company has put into place various alternative grounds on which to rely in order to be in compliance with relevant law for the transfer of data from overseas locations to the U.S. which have not been invalidated by the European Court of Justice. Some independent data regulators have adopted the position that other forms of compliance are also invalid though the legal grounds for these findings remain unclear at this time. We cannot predict at this time whether the alternative grounds that we continue to implement will be found to be consistent with relevant laws nor what any potential liability may be at this time.

On June 28, 2018, the California legislature enacted the California Consumer Privacy Act ("CCPA"), which took effect on January 1, 2020 and became enforceable starting July 1, 2020. The CCPA, which covers businesses that obtain or access personal information on California resident consumers grants consumers enhanced privacy rights and control over their personal information and imposes significant requirements on covered companies with respect to consumer data privacy rights. The CCPA provides consumers with the right to opt out of the sale of their personal information including the requirement to include a "Do Not Sell" link on our websites and applications that sell personal data of California resident consumers. We believe we have implemented such links to the extent necessary and our privacy policies have been updated and posted on our websites. Further, on November 3, 2020, the California Privacy Rights Act (the "CPRA") was voted into law by California residents. The CPRA significantly amends the CCPA and imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which could result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA went into effect on January 1, 2023 and became enforceable on July 1, 2023. Similar laws have been passed in several other states and have been proposed in additional states and at the federal level.

Failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing or security of personal information, or other privacy, data-retention or data-protection matters could result in a loss of user confidence in us, damage to our brands, and ultimately in a loss of users and advertising partners, which could adversely affect our business. Changes in these or any other laws and regulations or the interpretation of them could increase our future compliance costs, limit the amount and type of data we can collect, transfer, share, or sell, make our products and services less attractive to our users, or cause us to change or limit our business practices. Further, any failure on our part to comply with any relevant laws or regulations may subject us to significant civil or criminal liabilities.

If we are subject to burdensome laws or regulations or if we fail to adhere to the requirements of public or private regulations, our business, financial condition and results of operations could suffer.

The requirements of being a public company, including developing and maintaining proper and effective disclosure controls and procedures and internal control over financial reporting, may strain our resources and divert management's attention away from other business concerns.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq and other applicable securities rules and regulations that impose various requirements on public companies. Our management and other personnel are required to devote a substantial amount of time to compliance with these requirements and as an independent public company, such compliance has resulted in increased legal, accounting and financial costs. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of such controls, we have expended, and anticipate that we will continue to expend, significant resources. For example, we have hired and expect to continue to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to assist in our compliance efforts. We have also incurred significant expenses and devoted substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. To assist us in complying with these requirements we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses. As reported elsewhere in this Annual Report on Form 10-K, we previously identified material weaknesses in our internal control over financial reporting.

We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. While we have designed and implemented measures to remediate these material weaknesses, completion of remediation does not provide assurance that our remediation or other controls will continue to operate properly or remain adequate. Moreover, we are also continuing to develop our internal controls and processes. Despite significant investment, our current controls and any new controls that we develop may become inadequate because of changes in business conditions. For example, because we have acquired companies in the past and may continue to do so in the future, we need to effectively expend resources to integrate the controls of these acquired entities with ours. Any failure to implement and maintain effective internal control over financial reporting could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting will be required to be included in the periodic reports that we file with the SEC. Any future material weakness in our internal control over financial reporting, or adverse report thereon, could cause investors to lose confidence in the accuracy and completeness of our financial reports, could cause the market price of our common stock to decline, and could subject us to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities or shareholder litigation.

Risks Related To Our Stock

The trading market for our common stock has existed for a relatively short time since the distribution. Our stock price may fluctuate significantly.

Prior to the distribution, there was no public market for our common stock. An active trading market for our common stock commenced only following the distribution and may not be sustainable. The market price of our common stock has in the past, and may continue to, fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of comparable companies;
- changes to the regulatory and legal environment in which we operate; and
- domestic and worldwide economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could also adversely affect the trading price of our common stock.

We do not intend to pay dividends on our common stock.

We have no present intention to pay cash dividends on our common stock. As a result, a stockholder may only receive a return on their investment in our common stock if the trading price of our common stock increases. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our existing and any future debt and other factors that our board of directors deems relevant.

We previously identified material weaknesses in our internal control over financial reporting, and if we fail to design and maintain effective internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and operating results.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Act and are required to prepare our financial statements according to the rules and regulations required by the SEC. In addition, the Exchange Act requires that we file annual, quarterly and current reports. Our failure to prepare and disclose this information in a timely manner or to otherwise comply with applicable law could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. In addition, the Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting and disclosure purposes. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. As reported elsewhere in this Annual Report on Form 10-K, we previously identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis.

We completed remediation measures related to the material weaknesses and concluded that our internal control over financial reporting was effective as of December 31, 2023. Completion of remediation does not provide assurance that our remediation or other controls will continue to operate properly or remain adequate. Further, our current internal control over financial reporting and any additional internal control over financial reporting that we develop may become inadequate because of changes in conditions in our business. We also cannot assure you that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting, if and when required.

Matters affecting our internal controls, may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, violations of applicable stock exchange listing rules, and litigation brought by our shareholders and others. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material and adverse effect on us by, for example, leading to a decline in our share price and impairing our ability to raise additional capital, and also could result in litigation brought by our shareholders and others.

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws, and of Delaware law, may prevent or delay an acquisition of Consensus, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with our board of directors (the "Board of Directors") rather than to attempt a hostile takeover. These provisions will, among other things:

- permit our Board of Directors to issue one or more series of preferred stock with such powers, rights and preferences as the Board of Directors shall determine;

- subject to a five-year sunset from the date of the distribution, provide for a classified Board of Directors, with each class serving a staggered three-year term, which could have the effect of making the replacement of incumbent directors more time consuming and difficult;
- provide that, as long as our Board of Directors is classified, our directors can be removed for cause only;
- prohibit stockholder action by written consent;
- limit the ability of stockholders to call a special meeting of stockholders;
- provide that vacancies on the Board of Directors could be filled only by a majority vote of directors then in office, even if less than a quorum, or by a sole remaining director; and
- establish advance notice requirements for stockholder proposals and nominations of candidates for election as directors.

These provisions may prevent or discourage attempts to remove and replace incumbent directors. In addition, these limitations may adversely affect the prevailing market price and market for our common stock if they are viewed as limiting the liquidity of our stock or discouraging takeover attempts in the future.

Because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law ("DGCL"), this provision could also delay or prevent a change of control that stockholders may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or their affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock.

In addition, an acquisition or further issuance of our common stock could trigger the application of Section 355(e) of the Code, causing the distribution to be taxable to Ziff Davis. Under the tax matters agreement, we would be required to indemnify Ziff Davis for the resulting tax, and this indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and the United States federal district courts as the exclusive forum for claims under the Securities Act, which could limit our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that, unless Consensus consents in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of Consensus, (b) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee, agent or stockholder of Consensus to Consensus or its stockholders, (c) any action asserting a claim against Consensus or any current or former director, officer or other employee of Consensus arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (d) any action asserting a claim against Consensus or any current or former director, officer or other employee of Consensus governed by the internal affairs doctrine shall, in each case to the fullest extent permitted by law, be the Court of Chancery of the State of Delaware, or if such court does not have subject matter jurisdiction, a the federal district court for the District of Delaware. Furthermore, unless Consensus consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the rules or regulations thereunder. Our exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or the rules and regulations thereunder, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. These exclusive provisions may limit a stockholder's ability to bring a claim in a judicial forum that he, she or it believes to be favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. It is possible that a court could find these exclusive forum provisions inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, and we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board of Directors.

If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for Consensus' common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We currently have multiple research analysts covering Consensus' common stock. If one or more of the analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would likely decline. If one or more of the analysts ceases coverage of Consensus' common stock or fails to publish reports on us regularly, demand for Consensus' common stock could decrease, which could cause Consensus' common stock price or trading volume to decline.

Risks Related To the Separation

If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Ziff Davis, Consensus and Ziff Davis stockholders could be subject to significant tax liabilities, and, in certain circumstances, Consensus could be required to indemnify Ziff Davis for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.

Prior to the completion of the separation and distribution the Parent Company received (i) a private letter ruling from the IRS regarding certain U.S. federal income tax matters relating to the separation and related transactions and (ii) an opinion from its tax advisors regarding the qualification of the distribution, together with certain related transactions, as generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Code. Such opinions and IRS private letter ruling are based, among other things, on various facts and assumptions, as well as certain representations, statements and undertakings of Ziff Davis and Consensus. If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if Ziff Davis or Consensus breach any of their respective covenants contained in any of the separation-related agreements or in the documents relating to the IRS private letter ruling and/or any tax opinion, the IRS private letter ruling and/or any tax opinion may be invalid. Accordingly, notwithstanding receipt of the IRS private letter ruling and/or opinions of counsel or other external tax advisors, the IRS could determine that the distribution and certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the facts, assumptions, representations, statements or undertakings that were included in the request for the IRS private letter ruling or on which any opinion was based are false or have been violated. In addition, the IRS private letter ruling does not address all of the issues that are relevant to determining whether the distribution, together with certain related transactions, qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes, and an opinion of outside counsel or other external tax advisor represents the judgment of such counsel or advisor which is not binding on the IRS or any court. Accordingly, notwithstanding receipt by of the IRS private letter ruling and the tax opinions referred to above, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, Ziff Davis, Consensus and Ziff Davis's stockholders could be subject to significant U.S. federal income tax liability.

If the distribution, together with certain related transactions, fails to qualify as a transaction that is generally tax-free under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, Ziff Davis would recognize taxable gain as if it has sold the Consensus common stock in a taxable sale for its fair market value and Ziff Davis stockholders who received shares of Consensus common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

Under the tax matters agreement entered into by Ziff Davis and Consensus in connection with the separation, Consensus generally is required to indemnify Ziff Davis for any taxes resulting from the separation (and any related costs and other damages) to the extent such amounts resulted from (i) an acquisition of all or a portion of the equity securities or assets of Consensus, whether by merger or otherwise (and regardless of whether Consensus participated in or otherwise facilitated the acquisition), (ii) other actions or failures to act by Consensus or (iii) any of the representations or undertakings of Consensus contained in any of the separation-related agreements or in the documents relating to the IRS private letter ruling and/or any tax opinion being incorrect or violated. Any such indemnity obligations could be material.

In addition, Ziff Davis, Consensus and their respective subsidiaries may incur certain tax costs in connection with the separation, including non-U.S. tax costs resulting from separations in multiple non-U.S. jurisdictions that do not legally provide for tax-free separations, which may be material.

Our debt obligations could adversely affect our business and our ability to meet our obligations and pay dividends.

As of December 31, 2024, Consensus has total outstanding indebtedness of approximately $598 million, of which $249 million will mature on October 15, 2026 and the remainder with mature on October 15, 2028. We may also incur additional indebtedness in the future. This significant amount of debt could have important adverse consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make principal and interest payments;
- making it more difficult to satisfy other obligations;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing our vulnerability to general adverse economic, competitive and industry conditions;
- reducing the cash flows available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry;
- placing us at a competitive disadvantage compared with our less-leveraged competitors;
- increasing our cost of borrowing; and
- limiting our ability to borrow additional funds as needed, refinance our debt or take advantage of business opportunities as they arise, pay cash dividends or repurchase our common stock.

In addition, the indentures governing our indebtedness contain, and the agreements governing any future indebtedness may contain, restrictive covenants that may limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our debt.

Furthermore, we may be able to incur substantial additional indebtedness in the future. The terms of our outstanding indebtedness limit, but do not prohibit, us from incurring additional indebtedness, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions will also not prevent us from incurring obligations that do not constitute "indebtedness." If new indebtedness is added to our current debt levels, the related risks that we now face could intensify. Our ability to incur additional indebtedness and/or refinance our existing indebtedness will depend on the debt and/or capital markets and our financial condition at the relevant time. We may not be able to incur additional debt or refinance our existing debt on desirable terms or at all.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments due on our debt obligations or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond our control, including those discussed elsewhere in this "Risk Factors" section. We may be unable to maintain a level of cash flow sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to implement any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The indentures governing our indebtedness will restrict, and the agreements governing any future indebtedness may restrict, our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

If we cannot make payments on our debt obligations, we will be in default and all outstanding principal and interest on our debt may be declared due and payable and we could be forced into bankruptcy or liquidation.

In addition, any event of default or declaration of acceleration under one debt instrument could result in an event of default under one or more of our other debt instruments.

We and Ziff Davis continue to have some obligations under transaction agreements that were executed as part of the separation.

In connection with the separation, we entered into several agreements with Ziff Davis, including among others, a separation agreement, a tax matters agreement, an employee matters agreement, an intellectual property license agreement and a stockholder and registration rights agreement with respect to Ziff Davis' continuing ownership of Consensus common stock. While the term of many of the obligations under these agreements has passed, some obligations still remain. For example, we continue to have indemnification obligations to Ziff Davis for matters including liabilities primarily associated with the Consensus business and we continue to be severally liable for certain Ziff Davis tax obligations. Ziff Davis is also required to indemnify us for certain liabilities. If Ziff Davis were to make an indemnification claim, or if Ziff Davis is unable to pay the taxes for which we may be severally liable, we could incur significant liabilities.

Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.

In connection with the separation and distribution, Ziff Davis undertook several corporate reorganization transactions involving its subsidiaries which, along with the separation and distribution, may be subject to federal and state fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the separation and distribution, any entity involved in these reorganization transactions or the separation and distribution:

- was insolvent;
- was rendered insolvent by reason of the separation and distribution;
- had remaining assets constituting unreasonably small capital; or
- intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured, then the court could void the separation and distribution, in whole or in part, as a fraudulent conveyance or transfer.

The court could then require our stockholders to return to Ziff Davis some or all of the shares of Consensus common stock issued in the distribution, or require Ziff Davis or Consensus, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction whose law is being applied. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities, or if it incurred debt beyond its ability to repay the debt as it matures.

As an independent, publicly traded company, we may not enjoy the same benefits that were available to us as a business unit of Ziff Davis.

As an independent, publicly traded company, we may become more susceptible to market fluctuations and other adverse events, as compared to when we were still a part of Ziff Davis. As part of Ziff Davis, we were able to enjoy certain benefits from Ziff Davis's operating diversity and available capital for investments and other uses. As an independent, publicly traded company, we do not have similar operating diversity and may not have similar access to capital markets, which could have a material adverse effect on our business, results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We have implemented a cybersecurity program to assess, identify, and manage risks from cybersecurity threats that may result in material adverse effects on the confidentiality, integrity, and availability of our information systems.

Information Security Team and Governance

Board of Directors

Our Board of Directors, in coordination with the Audit Committee of the Board of Directors (the “Audit Committee”), oversees the Company’s enterprise risk management process, including the management of risks arising from cybersecurity threats. Our Board of Directors has delegated the primary responsibility to oversee cybersecurity matters to the Audit Committee. The Audit Committee regularly reviews the measures implemented by the Company to identify and mitigate data protection and cybersecurity risks. As part of such reviews, the Audit Committee receives presentations at least quarterly from members of our team responsible for overseeing the Company’s cybersecurity risk management, including the Chief Information Security Officer (“CISO”), Chief Technology Officer (“CTO”), Chief Legal Officer (“CLO”), and Head of Internal Audit, which address topics including recent developments, evolving standards, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends and information security considerations arising with respect to the Company’s peers and third parties. Then, the Audit Committee and such members of our management team report to the Board of Directors on a quarterly basis, with an in-depth review at least annually, on data protection and cybersecurity matters. Additionally, the Company has protocols for cybersecurity incidents that meet established reporting thresholds for escalation within the Company including, where appropriate, reporting to the Board of Directors and Audit Committee, with required updates for ongoing matters until any such incident has been addressed and resolved.

Management

The Company has implemented a cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner. At the management level, our Cybersecurity and Governance Council, composed of the CISO, CTO, CLO, Chief Revenue Officer and Executive Vice President of Operations, and Head of Internal Audit has broad oversight of the Company’s risk management processes. The Cybersecurity and Governance Council meets regularly to discuss the risk management measures implemented by the Company to identify and mitigate data protection and cybersecurity risks. Our CISO invites team members from the product and technology groups to attend each Cybersecurity and Governance Council meeting to report on ongoing or relevant cybersecurity and compliance matters. The Cybersecurity and Governance Council reports any material developments to the Audit Committee on a quarterly basis.

Our CISO, who has extensive cybersecurity knowledge and skills gained from over 20 years of work experience at the Company and elsewhere, heads the team responsible for implementing, monitoring and maintaining cybersecurity and data protection practices across our business. The CISO receives reports on cybersecurity threats from industry threat reports, and the team members in Information Security who are responsible for various parts of the business on an ongoing basis and in conjunction with management regularly reviews risk management measures implemented by the Company to identify and mitigate data protection and cybersecurity risks. Our CISO and the team work closely with Legal and Internal Audit to oversee compliance with legal, regulatory, and contractual security requirements.

Risk Management and Strategy

The Company employs systems and processes designed to oversee, identify, and reduce the potential impact of a security incident at a third-party vendor, service provider or customer or otherwise implicating the third-party technology and systems we use.

Information Security Policy and Requirements

The Company’s Information Security Policy (“Policy”) is based upon the International Organization for Standardization (“ISO”) 27001, Health Information Trust Alliance (“HITRUST”) Common Security Framework (“CSF”), System and Organization Controls 2 Type 2 (“SOC 2 Type 2”), and Payment Card Industry Data Security Standard (“PCI DSS”) frameworks and standards and provides specific and detailed direction and support for appropriately maintaining the overall security, confidentiality, integrity, and availability of information within the Company. The Policy covers all processes, equipment, hardware, and software owned or under the control of the Company as well as networks operated by third parties containing Company information or processes. It addresses the Company’s procedures and controls for, including but not limited to, asset and data management, user access and authentication, personnel education/trainings, change management, risk management, system configurations, security monitoring and reporting, vulnerability management, and business continuity and disaster recovery. The Policy applies to all employees, consultants, contractors, and other such persons (“Personnel”) with access to the aforementioned processes, equipment, hardware, and software. The Policy requires that Personnel agree to and are trained annually on all components of the Policy as a condition of employment, partnership, or temporary affiliation with the Company.

Employee Trainings

All Company employees must complete trainings at least annually on various security threats and best practices including, but not limited to, trainings on the following topics: the Company's Information Security Policy; Information Security Incident Response Plan; HIPAA, PCI Compliance; General Data Protection Regulation ("GDPR") and CCPA; Security Awareness and Incident Response Training covering Social Engineering Phishing (identification and common red flags), Social Media safety best practices, Internet Security best practices, and Incident response training for end-users; and Phishing. In addition, our developers must complete Secure Code / Secure Application Development Training based on Open Web Application Security Project top 10 standards.

Incident Response

Our Company has adopted an Information Security Incident Response Plan that applies in the event of a cybersecurity threat or incident (the "IRP") to provide a standardized framework for responding to security incidents. The IRP sets out a coordinated approach to investigating, containing, documenting and mitigating incidents, including reporting findings and keeping senior management and other key stakeholders informed and involved as appropriate. In general, our incident response process follows the National Institute of Standards and Technology ("NIST") framework and focuses on four phases: preparation; detection and analysis; containment, eradication and recovery; and post-incident remediation.

The IRP requires an Information Security Incident Response Team ("IRT") which includes, at a minimum, the following representatives: CTO, CISO, CLO, Data Protection Officer, and department heads of Network Operations, Engineering, and Information Security to oversee all details of the incident response. The IRP applies to all Company personnel (including third-party contractors, vendors and partners) that perform functions or services that require access to secure Company information, and to all devices and network services that are owned or managed by the Company.

Third-Party Certifications and Audits

In addition to our internal cybersecurity capabilities, we regularly engage with consultants, and other third parties to assist with assessing, identifying, and managing cybersecurity risks. Specifically, the Company is engaged with third-party auditors for HITRUST, PCI, and SOC 2 Type 2 for annual certification. We are also engaged with a third-party Data Protection Officer to oversee compliance with the GDPR.

Material Cybersecurity Risks, Threats & Incidents

While we have not experienced any risks from cybersecurity threats, including those resulting from previous cybersecurity incidents, that, to our knowledge, have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition, there can be no guarantee that we will not be the subject of future successful attacks, threats or incidents. We also rely on information technology and third-party vendors to support our operations, including our secure processing of personal, confidential, sensitive, proprietary and other types of information. Despite ongoing efforts to continue improvement of our and our vendors' ability to protect against cyber incidents, we may not be able to protect all information systems, and such incidents may lead to reputational harm, revenue and client loss, legal actions, statutory penalties, among other consequences. Additional information on cybersecurity risks we face can be found in Part I, Item 1A "Risk Factors" of this Form 10-K under the heading "Risks Related to our Business," which should be read in conjunction with the foregoing information.

Item 2. Properties

Principal Executive Offices

Our principal executive offices, including our global headquarters, are located at 700 S. Flower Street, Los Angeles, California 90017. This location is under a lease that expires on January 31, 2031 and has approximately 48,000 square feet of office space. We believe that our existing facilities are adequate to meet our current requirements.

Item 3. Legal Proceedings

See Note 10 - Commitments and Contingencies to our accompanying consolidated financial statements for a description of our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol "CCSI ".

Holders

We have 161 registered stockholders as of February 14, 2025. That number excludes the beneficial owners of shares held in "street" name or held through participants in depositories.

Dividends

We have no present intention to pay cash dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in our existing and any future debt and other factors that our Board of Directors deems relevant. Our current debt agreements could trigger restriction on dividend payments under certain circumstances.

Recent Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

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 which was subsequently extended through February 2028 (see Note 20 - Subsequent Events of the Notes to the Consolidated Financial Statements (Part II, Item 8). The timing and amounts of purchases are determined by the Company, depending on market conditions and other factors it deems relevant. For further information on our share repurchases refer to Note 13 - Stockholders' Deficit of the Notes to the Consolidated Financial Statements (Part II, Item 8).

The following table summarizes the share repurchase activity for the three months ended December 31, 2024:

	Total Number of Shares Purchased	Average Price Paid Per Share [(1)]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
				(in thousands)
October 1 - 31, 2024	400	$ 20.02	400	$ 68,202
November 1 - 30, 2024	—	—	—	68,202
December 1 - 31, 2024	13,701	23.02	13,701	67,887
	14,101		14,101	67,887

(1) Average price paid per share includes costs associated with the repurchases, but excludes the 1% excise tax accrued on our share repurchases as a result of the Inflation Reduction Act of 2022.

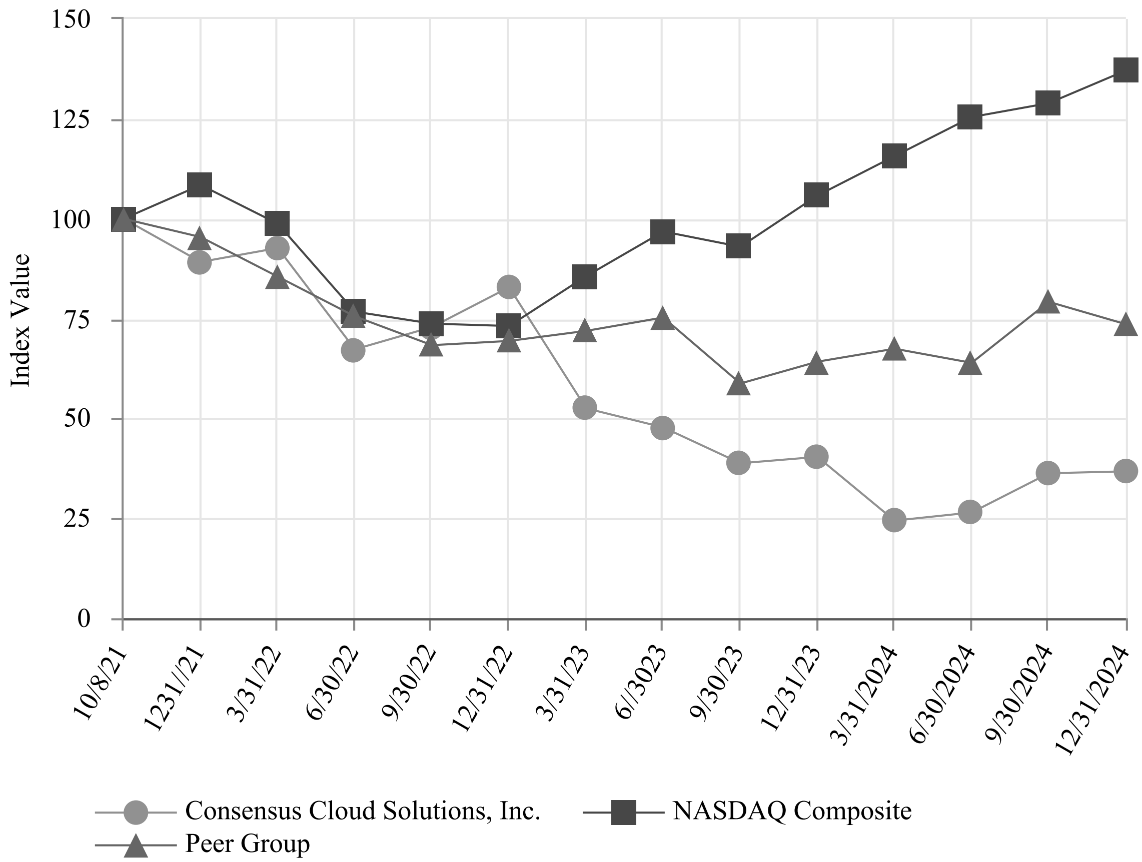
Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of Consensus under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total stockholder return for Consensus, the Nasdaq Composite and an index of companies that Consensus has selected as its peer group in the cloud services for business space.

Consensus' peer group index consists of Box, Inc. CommonVault Systems, Inc., TruBridge, Inc. (formerly Computer Programs and Systems, Inc.), Evolent Health, Inc., HealthStream, Inc., Omnicell, Inc., OneSpan, Inc., Phreesia, Inc., Progress Software Corp., SecureWorks Corp., Verint Systems, Inc. and Yext, Inc. Ebix, Inc., Veradigm, Inc. and R1 Rcm Holdco, Inc. were removed because they were acquired or went private during 2024.

Consensus common stock has been listed on the Nasdaq under the symbol "CCSI" since October 8, 2021. Prior to that time, there was no public market for our common stock. Measurement points for the performance graph are October 8, 2021 and the last trading day of each quarter from October 2021 to December 2024. The graph assumes that $100 was invested on October 8, 2021 in Consensus' common stock and in each of the indices. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



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Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The 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 in Part I, Item 1A - "Risk Factors" in this Annual Report on Form 10-K. 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, except as required by law. 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.

Overview

Consensus is a leading provider of secure information delivery services with a scalable Software-as-a-Service ("SaaS") platform. Consensus serves approximately 800 thousand customers of all sizes, from enterprises to individuals, across approximately 46 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's 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.

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 years ended December 31, 2024, 2023 and 2022 (in thousands, except for percentages and Average Revenue per Customer Account):

	Years Ended December 31,		
	2024	2023	2022
Revenue			
Corporate	$ 209,112	$ 199,621	$ 192,195
SoHo	141,258	162,916	170,199
Total	350,370	362,537	362,394
Other revenues	12	25	28
Consolidated	$ 350,382	$ 362,562	$ 362,422
Average Revenue per Customer Account (“ARPA”)(1)(2)			
Corporate	$ 310.67	$ 315.51	$ 331.77
SoHo	$ 14.92	$ 15.31	$ 14.32
Consolidated	$ 34.56	$ 32.16	$ 29.07
Customer Accounts (1)			
Corporate	59	54	52
SoHo	747	831	942
Consolidated	806	885	994
Paid Adds (3)			
Corporate	18	12	15
SoHo	247	274	364
Consolidated	265	286	379
Monthly Churn % (4)			
Corporate	2.36 %	1.49 %	1.78 %
SoHo	3.40 %	3.54 %	3.70 %
Consolidated	3.33 %	3.43 %	3.61 %

(1) Consensus customers are defined as paying Corporate and SoHo customer accounts.

(2) Represents a monthly ARPA for the year calculated as follows: monthly ARPA on an annual basis is calculated by dividing revenue for the year by the average customer base for the applicable period and dividing that amount by 12 months. 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.

(3) Paid Adds represents paying new Consensus customer accounts added during the annual period.

(4) Monthly churn represents paid monthly SoHo and Corporate customer accounts that were cancelled during each month of the annual period divided by the average number of customers during each month of the same annual period, including the paid adds. The period measured is annual and expressed as a monthly churn rate over the annual period.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements and related disclosures in accordance with U.S. generally accepted accounting principles (“GAAP”) and our discussion and analysis of our financial condition and operating results requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K, which describes the significant accounting policies and methods used in the preparation of our consolidated financial statements. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ significantly from those estimates under different assumptions and conditions and may be material.

We believe that our most critical accounting policies are those related to revenue recognition, internal-use software development costs, share-based compensation expense, income taxes and tax contingencies. We consider these policies critical because they are those that are most important to the portrayal of our financial condition and results and require management’s most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of the Company’s Board of Directors.

Revenue Recognition

We earn revenue from contracts with customers, primarily through the provision of cloud-based communication and digital signature solutions that allow customers to access our 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.

Along with our numerous proprietary solutions, we also generate revenues by reselling various third-party solutions. These third-party solutions, along with our proprietary products, allow us to offer customers a variety of solutions to better meet their needs. We record revenue on a gross basis with respect to reseller revenue because we have control of the specified good or service prior to transferring control to the customer. See Note 3 - Revenues of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Internal-Use Software Development Costs

We capitalize certain internal-use software and website development costs that are incurred during the application development stage, provided that management with the relevant authority authorizes and commits to the funding of the project, it is probable the project will be completed, and the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal-use software development costs are included in property and equipment and are amortized on a straight-line basis over their estimated useful lives. There is judgment involved in estimating the stage of development as well as estimating time allocated to a particular project. A significant change in the time spent on each project could have a material impact on the amount capitalized and related amortization expense in subsequent periods. See Note 6 - Property and Equipment of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Share-Based Compensation Expense

We account for share-based awards to employees and non-employees in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation (“ASC 718”). Accordingly, we measure share-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee’s requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as the stock price on the date of grant, expected term of the award, stock price volatility, risk free interest rate, dividend rate and forfeiture rate. These inputs are subjective and are determined using management’s judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, we may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact our results of operations in the period in which the changes are made and in periods thereafter. The Company estimates the expected term based upon the contractual term of the award. See Note 14 - Equity Incentive and Employee Stock Purchase Plan of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Income Taxes

Our income is subject to taxation in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

We account for income taxes in accordance with FASB ASC Topic No. 740, Income Taxes ("ASC 740"), which requires that deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. GAAP also requires that deferred tax assets are reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. Our valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, we review historical and future expected operating results and other factors to determine whether it is more likely than not that deferred tax assets are realizable. See Note 12 - Income Taxes of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Income Tax Contingencies

We calculate current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the following year. Adjustments based on filed returns are recorded when identified in the subsequent year.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax position is required to meet before it can be recognized in the financial statements and applies to all tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the income tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. We recognize accrued interest and penalties related to uncertain income tax positions in income tax expense on our Consolidated Statements of Income. On a quarterly basis, we evaluate uncertain income tax positions and establish or release reserves as appropriate under GAAP.

As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. Our estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially to reverse previously recorded tax liabilities. In addition, we may be subject to examination of our tax returns by the U.S. Internal Revenue Service ("IRS") and other domestic and foreign tax authorities.

Recent Accounting Pronouncements

See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, to our accompanying consolidated financial statements for a description of recent accounting pronouncements and our expectations of their impact on our consolidated financial position and results of operations.

Results of Operations

Years Ended December 31, 2024, 2023 and 2022

The main strategic focus of our 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.

The following table sets forth information derived from our Consolidated Statements of Income as a percentage of revenues for the years ended December 31, 2024, 2023 and 2022. This information should be read in conjunction with the accompanying financial statements and the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,		
	2024	**2023**	**2022**
Revenues	100%	100%	100%
Cost of revenues	20	19	17
Gross profit	80	81	83
Operating expenses:			
Sales and marketing	15	18	18
Research, development and engineering	2	2	3
General and administrative	21	20	20
Total operating expenses	38	40	41
Income from operations	42	41	42
Interest expense	(10)	(13)	(14)
Interest income	1	1	—
Other income (expense), net	1	(1)	—
Income before income taxes	34	28	28
Income tax expense	9	7	7
Net income	25%	21%	21%

Revenues

(in thousands, except percentages)	**2024**	**2023**	**2022**	**Percentage Change 2024 versus 2023**	**Percentage Change 2023 versus 2022**
Revenues	**$ 350,382**	**$ 362,562**	**$ 362,422**	**(3)%**	**—%**

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

Revenues decreased by $12.2 million for the year ended December 31, 2024 compared to the prior comparable period. The reduction is the result of a $21.7 million decline in SoHo revenues, partially offset by an increase in Corporate revenues of $9.5 million due to organic growth in customer usage and new customer acquisitions.

Revenues remained consistent for the year ended December 31, 2023 compared to the prior comparable period. Total revenues increased $0.1 million as a result of an increase in Corporate revenues of $7.4 million due to organic growth in customer usage and new customer acquisitions, partially offset by a $7.3 million decline in SoHo revenues.

Cost of Revenues

(in thousands, except percentages)	2024	2023	2022	Percentage Change 2024 versus 2023	Percentage Change 2023 versus 2022
Cost of revenues	**$ 69,688**	**$ 68,319**	**$ 61,951**	**2%**	**10%**
As a percent of revenues	**20 %**	**19 %**	**17 %**		

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 year ended December 31, 2024 over the prior comparable period was primarily due to an increase of $3.1 million in depreciation associated with platform development costs, partially offset by decreases of $0.7 million in online processing fees, $0.4 million in data transmission costs and $0.2 million in personnel-related expenses.

The increase in cost of revenues for the year ended December 31, 2023 over the prior comparable period was primarily due to increases of $4.1 million in personnel-related expenses and $1.8 million in depreciation associated with platform development costs.

Operating Expenses

Sales and Marketing

(in thousands, except percentages)	2024	2023	2022	Percentage Change 2024 versus 2023	Percentage Change 2023 versus 2022
Sales and marketing	**$ 51,065**	**$ 65,084**	**$ 64,413**	**(22)%**	**1%**
As a percent of revenues	**15 %**	**18 %**	**18 %**		

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 $14.0 million for the year ended December 31, 2024 over the prior comparable period was primarily due to a reduction in third-party advertising spend of $14.3 million, predominantly in SoHo.

The increase in sales and marketing expenses of $0.7 million for the year ended December 31, 2023 over the prior comparable period was primarily due to an increase of $4.4 million in personnel-related expenses due to continued investment in the Corporate sales team and a $0.6 million increase in computer-related costs, partially offset by a reduction in third-party advertising spend of $4.5 million, primarily in SoHo.

Research, Development and Engineering

(in thousands, except percentages)	2024	2023	2022	Percentage Change 2024 versus 2023	Percentage Change 2023 versus 2022
Research, development and engineering	**$ 7,683**	**$ 7,727**	**$ 10,018**	**(1)%**	**(23)%**
As a percent of revenues	**2 %**	**2 %**	**3 %**		

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

Research, development and engineering costs for the year ended December 31, 2024 remained consistent with the prior year.

The decrease in research, development and engineering costs for the year ended December 31, 2023 over the prior comparable period was primarily attributable to increased capitalization of personnel-related expenses due to our continued focus on internally developing our platform, products and solutions as well as a reduction in external development costs. The increase in capitalization resulted in a decrease in personnel-related expenses of $2.1 million.

General and Administrative

(in thousands, except percentages)	2024	2023	2022	Percentage Change 2024 versus 2023	Percentage Change 2023 versus 2022
General and administrative	**$ 72,546**	**$ 74,203**	**$ 74,122**	**(2)%**	**—%**
As a percent of revenues	**21 %**	**20 %**	**20 %**		

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

The decrease in general and administrative expense of $1.7 million for the year ended December 31, 2024 over the prior comparable period was primarily due to decreases of $2.5 million in professional fees and $0.8 million in bad debt expense, partially offset by an increase of $1.7 million in computer-related equipment costs.

General and administrative expense remained consistent for the year ended December 31, 2023 over the prior comparable period. The increase is primarily due to increases in the following: $4.5 million in bad debt expense, $1.7 million in professional fees and $1.3 million in computer-related equipment costs, partially offset by a decrease in non-income related tax expenses of $7.4 million.

Share-Based Compensation

The following table represents share-based compensation expense included in cost of revenues and operating expenses in the accompanying Consolidated Statements of Income for the years ended December 31, 2024, 2023 and 2022 (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Cost of revenues	$ 2,138	$ 1,400	$ 874
Operating expenses:			
Sales and marketing	2,750	1,679	988
Research, development and engineering	622	379	746
General and administrative	11,254	14,705	17,447
Total	$ 16,764	$ 18,163	$ 20,055

Non-Operating Income and Expenses

Interest expense. Our interest expense is due to outstanding debt and is offset by any extinguishment gain or losses and capitalized interest. Interest expense was $34.0 million, $45.4 million and $51.4 million for the years ended December 31, 2024, 2023 and 2022, respectively. During the year ended December 31, 2024, interest expense decreased $11.4 million compared to the prior year, which included a decrease of $9.6 million in interest expense as debt repurchases lowered our outstanding debt balance, as well as a $1.8 million favorable increase in debt extinguishment gain compared to 2023. The decrease in 2023 from 2022 is primarily due to the partial extinguishment of debt in 2023, resulting in a gain of $4.8 million, as well as an increase in capitalized interest of $1.2 million.

Interest income. Our interest income is generated from interest earned on cash and cash equivalents. Interest income was $2.5 million and $3.7 million for the years ended December 31, 2024 and 2023, respectively. The decrease in 2024 from 2023 was primarily attributable to a lower average cash and cash equivalents balance primarily due to the repurchase of our debt, which resulted in lower money market investments throughout 2024. Interest income was not material for the year ended December 31, 2022.

Other income (expense), net. Our other income (expense), net is generated primarily from foreign currency and miscellaneous items. Other income (expense), net was $4.3 million, $(2.4) million and $(1.6) million for the years ended December 31, 2024, 2023 and 2022, respectively. The change between periods was primarily attributable to exchange rate fluctuations on inter-company 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, and may be challenged in the future, 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 bases 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.

As of December 31, 2024 and 2023, the Company has interest expense limitation carryforwards of $32.9 million and $30.4 million, respectively, which last indefinitely. The Company has no federal net operating loss or capital loss limitation carryforwards as of December 31, 2024 or 2023. As of December 31, 2024 and 2023, the Company has $1.7 million and $1.3 million, respectively, of foreign tax credit carryforwards that begin to expire in 2031, and $1.7 million and $1.8 million, respectively, of state research and development tax credits carryforwards that can be carried over indefinitely.

Income tax expense amounted to $32.8 million, $25.9 million and $26.2 million for the years ended December 31, 2024, 2023 and 2022, respectively. Our effective tax rates for the year ended December 31, 2024, 2023 and 2022 were 26.8%, 25.1% and 26.5%, respectively.

The increase in our annual effective income tax rate from 2023 to 2024 was primarily attributable to an increase in tax expense relating to higher state taxes due to intercompany dividends received from controlled foreign subsidiaries during the year, lower research and development credits, a higher valuation allowance on foreign tax credits and the impact of the change in the geographical mix of the income.

The decrease in our annual effective income tax rate from 2022 to 2023 was primarily attributable to a decrease in tax expense relating to the lower amount of certain non-deductible expenses incurred in the year, such as share-based compensation, officer's compensation, a decrease in the foreign income currently taxed in the U.S. and the impact of the change in the geographical mix of the income, partially offset by an increase in the reserves for uncertain tax positions.

Liquidity and Capital Resources

Cash and Cash Equivalents

At December 31, 2024, we had cash and cash equivalents of $33.5 million compared to $88.7 million at December 31, 2023. The decrease in cash and cash equivalents resulted primarily from cash used to repurchase our debt, capitalized expenditures and common stock repurchases, partially offset by cash provided by operations. As of December 31, 2024, cash and cash equivalents held within domestic and foreign jurisdictions were $27.6 million and $6.0 million, respectively.

On October 7, 2021, the Company issued $305 million of 6.0% senior notes due in 2026 (the "2026 Senior Notes"), in a private placement offering exempt from the registration requirements of the Securities Act of 1933. Consensus received 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, both of which are net of deferred issuance costs, on the Consolidated Balance Sheets as of December 31, 2024 and 2023. The 2026 Senior Notes bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, which commenced on April 15, 2022.

On October 7, 2021, Consensus issued $500 million of 6.5% senior notes due in 2028 (the "2028 Senior Notes"), in a private placement offering exempt from the registration requirements of the Securities Act of 1933. In exchange for the equity interest in the Company, Consensus issued the 2028 Senior Notes to Ziff Davis. 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 indebtedness under such credit agreement. The 2028 Senior Notes are presented as current portion of long-term debt and long-term debt, net of current portion, both of which are net of deferred issuance costs, on the Consolidated Balance Sheets as of December 31, 2024 and 2023. The 2028 Senior Notes bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, which commenced on April 15, 2022.

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 December 31, 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 December 31, 2024, we had outstanding $598.1 million in aggregate principal amount of indebtedness, total minimum lease payments of $17.0 million and a liability for uncertain tax positions of $13.2 million (see Note 8 - Long-Term Debt, Note 9 - Leases and Note 12 - Income Taxes of the Notes to the Consolidated financial statements in Part II, Item 8 of this Form 10-K, respectively). 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 and financing activities will be sufficient to fund our anticipated needs for working capital, capital expenditures and stock repurchases, if any, for at least the next 12 months from the issuance of this Annual Report on Form 10-K 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 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 are 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 Consolidated Statements of Income. During the years ended December 31, 2024 and 2023, the Company retired $144.3 million and $62.6 million, respectively, in principal of its senior notes under this program. Cumulatively as of December 31, 2024, $206.9 million in principal of the Company's senior notes has been retired under this program.

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, which was subsequently extended through February 2028 (see Note 20 - Subsequent Events of the Notes to the Consolidated Financial Statements (Part II, Item 8)). The timing and amounts of purchases are 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 and during the years ended December 31, 2024 and 2023, the Company repurchased 57,063 and 839,548 shares, respectively, at an aggregate cost of $1.0 million and $23.7 million (inclusive of excise tax of $0.2 million), respectively, under this program. Cumulatively as of December 31, 2024, 1,085,725 shares have been repurchased at an aggregate cost of $32.3 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 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 years ended December 31, 2024, 2023 and 2022 the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 122,406, 61,878 and 71,509 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 $121.7 million, $114.1 million and $83.1 million for the years ended December 31, 2024, 2023 and 2022, 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, employee compensation and lease payments for our offices. The increase in our net cash provided by operating activities in 2024 compared to 2023 was primarily attributable to increased income after excluding noncash items, partially offset by an increase in cash outflows resulting from changes in our working capital accounts. The increase in our net cash provided by operating activities in 2023 compared to 2022 was primarily attributable to increased income after excluding noncash items, partially offset by a net decrease in our working capital accounts. Our prepaid tax payments were $2.1 million and $3.7 million at December 31, 2024 and 2023, respectively.

Net cash used in investing activities was $33.4 million, $40.5 million and $43.3 million for the years ended December 31, 2024, 2023 and 2022, respectively. Net cash used in investing activities in 2024 included capital expenditures, primarily capitalized software development costs. Net cash used in investing activities in 2023 included capital expenditures, primarily capitalized software development costs, and cash paid for investments. Net cash used in investing activities in 2022 was primarily comprised of capital expenditures, primarily capitalized software development costs and business acquisitions.

Net cash used in financing activities was $138.6 million, $81.7 million and $10.6 million for the years ended December 31, 2024, 2023 and 2022, respectively. Net cash used in financing activities in 2024 primarily relates to the repurchases of debt. Net cash used in financing activities in 2023 primarily relates to the repurchases of debt and common stock. Net cash used in financing activities in 2022 included the repurchase of common stock and shares withheld to cover employee income taxes.

Item 7A. 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 this document 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 2025.

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 December 31, 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 December 31, 2024 and 2023, we had cash and cash equivalent investments, primarily in money market funds and cash held in foreign and domestic bank accounts, of $33.5 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

We conduct business in certain foreign markets, primarily in Canada, Australia, the European Union and Japan. Our principal exposure to foreign currency risk relates to investment and inter-company 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 Annual Report on Form 10-K.

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.

For the years ended December 31, 2024, 2023 and 2022, foreign exchange gain (loss) amounted to $4.3 million, $(2.4) million and $(1.6) million, respectively. The change in foreign exchange gain (loss) in all comparable periods was primarily attributable to the translation of certain intra-entity balances in foreign currencies.

Cumulative translation (loss) gain included in other comprehensive income for the years ended December 31, 2024, 2023 and 2022 was $(9.9) million, $5.9 million and $(2.3) million, respectively.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Consensus Cloud Solutions, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Consensus Cloud Solutions, Inc. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2024, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Property and Equipment, net—Internal-Use Software Development Costs—Refer to Notes 2 and 6 to the financial statements

Critical Audit Matter Description

The Company develops software for internal use and capitalizes certain costs incurred in the application development phase of the internal-use software, records the related capitalized costs as internal-use software development costs in property and equipment, and amortizes these costs over the estimated lives of the internal-use software. Costs related to preliminary internal-use software project activities and post implementation activities are expensed as incurred. The determination of whether an internal-use software project's development costs are capitalized or expensed requires a higher degree of management judgment.

We identified management's determination of capitalized internal-use software development costs, including those in process, as a critical audit matter because of the judgment exercised by management in determining whether costs incurred on internal-use software projects meet the capitalization criteria. The determination of costs to capitalize is subjective in nature requiring management judgment to determine if costs are (1) related to an internal-use software project that entered the application development stage, (2) resulted in additional functionality, (3) the internal-use software project was probable of completion and (4) the internal-use software would be used to perform the function intended. Our evaluation of management's judgments and their determination of the project and related internal-use software development activities and related costs to be capitalized under the relevant accounting guidance required subjective and higher degree of auditor judgment and audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of the appropriateness of capitalized internal-use software development costs included the following, among others:

- We obtained an understanding of management's process for evaluating internal-use software development costs and the nature of the internal-use software development costs capitalized.
- We tested the effectiveness of management's controls over the identification and recording of costs incurred on internal-use software development projects to be capitalized.
- We assessed management's methodology utilized in calculating capitalized internal-use software development costs based on the allocation of capitalized labor costs. We selected a sample of internal-use software projects and performed audit procedures to agree capitalized labor costs to time records and made certain inquiries of project members to further assess the reasonableness of time allocated to the selected internal-use software projects.
- We selected a sample of individual research and development costs, sales and marketing costs, and general and administrative costs incurred, and evaluated whether such costs were properly capitalized as internal-use software or not based upon the nature and stage of work performed and whether the requisite capitalization criteria were met.
- We conducted corroborative interviews with Company personnel involved in internal-use software development regarding the nature and functionality of costs incurred related to capitalized software projects.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
February 19, 2025

We have served as the Company's auditor since 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Consensus Cloud Solutions, Inc.
Los Angeles, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of income, comprehensive income, stockholders' deficit, and cash flows of Consensus Cloud Solutions, Inc. (the "Company") for the year ended December 31, 2022, and the related notes and schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 2022**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, LLP

We served as the Company's auditor from 2014 through 2023.

Los Angeles, California

March 31, 2023

CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023
(In thousands, except share and per share data)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 33,545	$ 88,715
Accounts receivable, net of allowances of $5,774 and $6,271, respectively	24,921	26,342
Prepaid expenses and other current assets	16,059	10,191
Total current assets	74,525	125,248
Property and equipment, net	100,076	81,196
Operating lease right-of-use assets	6,515	6,766
Intangibles, net	41,213	44,990
Goodwill	345,036	348,822
Deferred income taxes	30,521	34,869
Other assets	4,315	5,364
TOTAL ASSETS	$ 602,201	$ 647,255
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable and accrued expenses	$ 36,477	$ 36,506
Income taxes payable, current	1,068	2,224
Deferred revenue, current	20,714	22,041
Operating lease liabilities, current	2,150	2,038
Current portion of long-term debt	18,902	8,575
Total current liabilities	79,311	71,384
Long-term debt, net of current portion	574,080	725,405
Deferred revenue, noncurrent	1,913	2,270
Operating lease liabilities, noncurrent	12,018	13,212
Liability for uncertain tax positions	13,218	9,740
Deferred income taxes	891	1,098
Other long-term liabilities	233	268
TOTAL LIABILITIES	681,664	823,377
Commitments and contingencies (Note 10)		
Common stock, $0.01 par value. Authorized 120,000,000; total issued is 20,609,725 and 20,273,686 shares and total outstanding is 19,524,000 and 19,245,024 shares as of December 31, 2024 and December 31, 2023, respectively	206	203
Treasury stock, at cost (1,085,725 and 1,028,662 shares as of December 31, 2024 and December 31, 2023, respectively)	(32,313)	(31,282)
Additional paid-in capital	59,373	41,247
Accumulated deficit	(83,678)	(173,113)
Accumulated other comprehensive loss	(23,051)	(13,177)
TOTAL STOCKHOLDERS' DEFICIT	(79,463)	(176,122)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 602,201	$ 647,255

See Notes to Consolidated Financial Statements

CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2024, 2023 and 2022
(In thousands, except share and per share data)

	2024	2023	2022
Revenues	$ 350,382	$ 362,562	$ 362,422
Cost of revenues [1]	69,688	68,319	61,951
Gross profit	280,694	294,243	300,471
Operating expenses:			
Sales and marketing [1]	51,065	65,084	64,413
Research, development and engineering [1]	7,683	7,727	10,018
General and administrative [1]	72,546	74,203	74,122
Total operating expenses	131,294	147,014	148,553
Income from operations	149,400	147,229	151,918
Interest expense	(33,979)	(45,367)	(51,423)
Interest income	2,546	3,715	—
Other income (expense), net	4,278	(2,413)	(1,582)
Income before income taxes	122,245	103,164	98,913
Income tax expense	32,810	25,869	26,199
Net income	$ 89,435	$ 77,295	$ 72,714
Net income per common share			
Basic	$ 4.64	$ 3.94	$ 3.65
Diluted	$ 4.62	$ 3.94	$ 3.64
Weighted average shares outstanding:			
Basic	19,286,579	19,582,460	19,863,286
Diluted	19,383,849	19,600,952	19,953,785
[1] Includes share-based compensation expense as follows:			
Cost of revenues	$ 2,138	$ 1,400	$ 874
Sales and marketing	2,750	1,679	988
Research, development and engineering	622	379	746
General and administrative	11,254	14,705	17,447
Total	$ 16,764	$ 18,163	$ 20,055

See Notes to Consolidated Financial Statements

CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2024, 2023 and 2022
(In thousands)

	2024	2023	2022
Net income	$ 89,435	$ 77,295	$ 72,714
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(9,874)	5,931	(2,251)
Other comprehensive (loss) income	(9,874)	5,931	(2,251)
Comprehensive income	$ 79,561	$ 83,226	$ 70,463

See Notes to Consolidated Financial Statements

CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024, 2023 and 2022
(In thousands)

	2024	2023	2022
Cash flows from operating activities:			
Net income	$ 89,435	$ 77,295	$ 72,714
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,516	17,421	15,302
Amortization of financing costs and discounts	1,822	2,048	1,889
Non-cash operating lease costs	1,549	1,652	1,332
Share-based compensation	16,764	18,163	20,055
Provision for doubtful accounts	5,104	5,897	1,157
Deferred income taxes	2,647	2,428	(1,653)
Gain on extinguishment of debt	(6,557)	(4,795)	—
Other	—	32	—
Decrease (increase) in:			
Accounts receivable	(3,780)	(4,159)	(2,908)
Prepaid expenses and other current assets	(6,002)	4,088	(9,489)
Other assets	1,048	1,452	(1,944)
Increase (decrease) in:			
Accounts payable and accrued expenses	768	(5,542)	(940)
Income taxes payable	(1,047)	(231)	(2,797)
Deferred revenue	(1,509)	(2,547)	(2,203)
Operating lease liabilities	(2,455)	(2,044)	(1,677)
Liability for uncertain tax positions	3,478	3,015	1,930
Other long-term liabilities	(34)	(60)	(7,619)
Net cash provided by operating activities	121,747	114,113	83,149
Cash flows from investing activities:			
Purchases of property and equipment	(33,440)	(36,461)	(30,045)
Acquisition of businesses, net of cash received	—	—	(12,230)
Purchases of investments	—	(4,000)	—
Purchases of intangible assets	—	—	(1,000)
Net cash used in investing activities	(33,440)	(40,461)	(43,275)
Cash flows from financing activities:			
Debt issuance cost	—	—	(232)
Proceeds from the issuance of common stock under employee stock purchase plan	1,334	1,386	1,284
Repurchase of common stock	(1,031)	(23,483)	(7,596)
Taxes paid related to net share settlement	(2,727)	(1,888)	(4,079)
Repurchase of debt	(136,195)	(57,672)	—
Net cash used in financing activities	(138,619)	(81,657)	(10,623)
Effect of exchange rate changes on cash and cash equivalents	(4,858)	2,556	(1,865)
Net change in cash and cash equivalents	(55,170)	(5,449)	27,386
Cash and cash equivalents at beginning of year	88,715	94,164	66,778
Cash and cash equivalents at end of year	$ 33,545	$ 88,715	$ 94,164

See Notes to Consolidated Financial Statements

CONSENSUS CLOUD SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Years Ended December 31, 2024, 2023 and 2022
(in thousands, except share amounts)

	Common stock		Additional paid-in	Treasury stock		Accumulated	Accumulated other comprehensive	Total
	Shares	Amount	capital	Shares	Amount	deficit	loss	deficit
Balance, December 31, 2021	19,978,580	$ 200	$ 2,878	—	$ —	$ (318,886)	$ (16,857)	$ (332,665)
Net income	—	—	—	—	—	72,714	—	72,714
Foreign currency translation adjustment	—	—	—	—	—	—	(2,251)	(2,251)
Vested restricted stock	166,378	2	(2)	—	—	—	—	—
Shares withheld related to net share settlement	(71,509)	(1)	(4,078)	—	—	—	—	(4,079)
Repurchase of common stock	—	—	—	(189.114)	(7,596)	—	—	(7,596)
Issuance of shares under ESPP	32,096	—	1,284	—	—	—	—	1,284
Share-based compensation	—	—	21,568	—	—	—	—	21,568
Adjustments related to the Separation	—	—	—	—	—	(4,236)	—	(4,236)
Balance, December 31, 2022	20,105,545	$ 201	$ 21,650	(189,114)	$ (7,596)	$ (250,408)	$ (19,108)	$ (255,261)
Net income	—	—	—	—	—	77,295	—	77,295
Foreign currency translation adjustment	—	—	—	—	—	—	5,931	5,931
Vested restricted stock	173,356	2	(2)	—	—	—	—	—
Shares withheld related to net share settlement	(61,878)	(1)	(1,887)	—	—	—	—	(1,888)
Repurchase of common stock	—	—	—	(839,548)	(23,686)	—	—	(23,686)
Issuance of shares under ESPP	56,663	1	1,385	—	—	—	—	1,386
Share-based compensation	—	—	20,101	—	—	—	—	20,101
Balance, December 31, 2023	20,273,686	$ 203	$ 41,247	(1,028,662)	$ (31,282)	$ (173,113)	$ (13,177)	$ (176,122)
Net income	—	—	—	—	—	89,435	—	89,435
Foreign currency translation adjustment	—	—	—	—	—	—	(9,874)	(9,874)
Vested restricted stock	376,771	3	(3)	—	—	—	—	—
Shares withheld related to net share settlement	(122,406)	(1)	(2,726)	—	—	—	—	(2,727)
Repurchase of common stock	—	—	—	(57,063)	(1,031)	—	—	(1,031)
Issuance of shares under ESPP	81,674	1	1,333	—	—	—	—	1,334
Share-based compensation	—	—	19,522	—	—	—	—	19,522
Balance, December 31, 2024	20,609,725	$ 206	$ 59,373	(1,085,725)	$ (32,313)	$ (83,678)	$ (23,051)	$ (79,463)

See Notes to Consolidated Financial Statements

1. 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 800 thousand customers of all sizes, from enterprises to individuals, across approximately 46 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 the separation of its 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 Consensus Cloud Solutions, LLC, formerly known as 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 shares of Consensus capital stock, reducing its beneficial ownership in the Company to zero as of December 31, 2024.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying consolidated financial statements include the accounts of Consensus and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of 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 net 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.

(c) Allowances for Doubtful Accounts

The Company maintains an allowance for credit losses for accounts receivable, which is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expenses in the Consolidated Statements of Income. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when it identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status. It also considers customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. On an ongoing basis, management evaluates the appropriateness of these reserves.

(d) Revenue Recognition

The Company recognizes revenue when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services (see Note 3 - Revenues).

<u>*Principal vs. Agent*</u>

The Company determines whether revenue should be reported on a gross or net basis by assessing whether the Company is acting as the principal or an agent in the transaction. If the Company is acting as the principal in a transaction, the Company reports revenue on a gross basis. If the Company is acting as an agent in a transaction, the Company reports revenue on a net basis. In determining whether the Company acts as the principal or an agent, the Company follows the accounting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 606, Revenue from Contracts with Customers ("ASC 606"), for principal-agent considerations and assesses: (i) if another party is involved in providing goods or services to the customer and (ii) whether the Company controls the specified goods or services prior to transferring control to the customer.

<u>*Sales Taxes*</u>

The Company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are (i) both imposed on and concurrent with a specific revenue-producing transaction and (ii) collected by the Company from a customer.

(e) Fair Value Measurements

Consensus complies with the provisions of FASB ASC Topic No. 820, Fair Value Measurements and Disclosures ("ASC 820"), in measuring fair value and in disclosing fair value measurements. ASC 820 provides a framework for measuring fair value and expands the disclosures required for fair value measurements of financial and non-financial assets and liabilities (see Note 5 - Fair Value Measurements).

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term debt are reflected in the financial statements at cost. With the exception of long-term debt, cost approximates fair value due to the short-term nature of such instruments. The fair value of the Company's outstanding debt was determined using the quoted market prices of debt instruments with similar terms and maturities when available (see Note 8 - Long-Term Debt).

(f) Investments

The Company accounts for investments in equity securities in accordance with FASB ASC Topic No. 321, Investments - Equity Securities ("ASC 321"), which requires the accounting for equity investments, other than those accounted for under the equity method of accounting, generally be measured at fair value for equity securities with readily determinable fair values. Equity securities without a readily determinable fair value, which are not accounted for under the equity method of accounting, are measured at their cost, less impairment, if any, and adjusted for observable price changes arising from orderly transactions in the same or similar investment from the same issuer. Any unrealized gains or losses resulting from adjustments due to observable price changes, if applicable, are reported within earnings on the Consolidated Statement of Income.

As of December 31, 2024 and 2023, the carrying amount of the Company's investments accounted for under the measurement alternative method in accordance with ASC 321 was $4.0 million and is included in other assets within the Company's Consolidated Balance Sheets. If the Company becomes aware of a significant decline in value that is other-than-temporary, the Company assesses whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions. The loss will be recorded in the period in which the Company identifies the decline. During the years ended December 31, 2024 and 2023, the Company did not recognize any unrealized gains or losses and did not have any impairments during the respective periods.

(g) Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments that are highly liquid, readily convertible to cash and with maturities of three months or less at the purchase date.

(h) Debt Issuance Costs

The Company capitalizes costs incurred with borrowing and issuance of debt securities and records debt issuance costs as a reduction to the debt amount. These costs are amortized and included in interest expense over the life of the related debt security using the effective interest method.

(i) Concentration of Credit Risk

All of the Company's cash and cash equivalents are invested at major financial institutions. These institutions are required to invest the Company's cash in accordance with the Company's investment policy with the principal objectives being preservation of capital, fulfillment of liquidity needs and above market returns commensurate with preservation of capital. At December 31, 2024, the Company's cash and cash equivalents were maintained in accounts in qualifying financial institutions that are insured up to the limit determined by the applicable governmental agency. These institutions are primarily within the United States and Luxembourg, however, the Company has accounts within several other countries including the United Kingdom, Australia, Japan, Canada, Ireland, Hong Kong and New Zealand.

(j) Foreign Currency

Some of Consensus' foreign subsidiaries use the local currency of their respective countries as their functional currency. Assets and liabilities of those subsidiaries are translated into U.S. Dollars at exchange rates prevailing at the balance sheet dates. Revenues, costs and expenses of those subsidiaries are translated into U.S. Dollars at average exchange rates for the period. Gains and losses resulting from translation are recorded as a component of accumulated other comprehensive loss. Net translation (loss) gain was $(9.9) million, $5.9 million and $(2.3) million for the years ended December 31, 2024, 2023 and 2022, respectively. Foreign exchange gain (loss) from foreign currency transactions is recorded within other income (expense), net on the Consolidated Statements of Income and amounted to $4.3 million, $(2.4) million and $(1.6) million for the years ended December 31, 2024, 2023 and 2022, respectively.

(k) Property and Equipment

Property and equipment are stated at cost. Equipment under finance leases is stated at the present value of the minimum lease payments. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets and is recorded in cost of revenues and general and administrative expenses on the Consolidated Statements of Income. The estimated useful lives of property and equipment range from 1 to 10 years. Leasehold improvements are amortized on a straight-line basis over their estimated useful lives or the related lease term, if less (see Note 6 - Property and Equipment).

(l) Internal-Use Software Development Costs

The Company capitalizes certain internal-use software and website development costs that are incurred during the application development stage, provided that management with the relevant authority authorizes and commits to the funding of the project, it is probable the project will be completed, and the software will be used to perform the function intended. Management estimates the stage of development as well as the time allocated to internal-use software projects. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal-use software development costs are included in property and equipment and are amortized on a straight-line basis over their estimated useful lives, which is recorded in cost of revenues and general and administrative expenses on the Consolidated Statements of Income. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from 1 to 7 years (see Note 6 - Property and Equipment).

(m) Impairment or Disposal of Long-Lived Assets and Finite-Lived Intangible Assets

The Company accounts for long-lived assets, which include property and equipment, operating lease right-of-use assets and identifiable intangible assets with finite useful lives (subject to amortization), in accordance with the provisions of FASB ASC Topic No. 360, Property, Plant, and Equipment ("ASC 360"). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the expected undiscounted future net cash flows generated by the asset. If it is determined that the asset may not be recoverable, and if the carrying amount of an asset exceeds its estimated fair value, an impairment charge is recognized to the extent of the difference.

The Company assesses the impairment of identifiable finite-lived intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors it considers important are those that could individually or in combination trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for Consensus' overall business;
- Significant negative industry or economic trends;
- Significant decline in the Company's stock price for a sustained period; and
- The Company's market capitalization relative to net book value.

If the Company determined that the carrying value of finite-lived intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, it would record an impairment equal to the excess of the carrying amount of the asset over its estimated fair value.

The Company assessed whether events or changes in circumstances have occurred that potentially indicate the carrying amount of finite-lived assets may not be recoverable. There were no impairments of long-lived assets or finite-lived intangible assets recorded in 2024, 2023 and 2022.

(n) Business Combinations and Valuation of Goodwill and Intangible Assets

The Company applies the acquisition method of accounting for business combinations in accordance with GAAP and uses estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the assets, including identifiable intangible assets and liabilities acquired. Such estimates may be based on significant unobservable inputs and assumptions such as, but not limited to, future revenue growth rates, gross and operating margins, customer attrition rates, royalty rates, discount rates and terminal growth rate assumptions. The Company uses established valuation techniques and may engage reputable valuation specialists to assist with the valuations. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the acquisition method of accounting are recorded at the estimated fair value of the assets acquired. Identifiable intangible assets are comprised of purchased customer relationships, trademarks and trade names, developed technologies and other intangible assets. The fair values of these identified intangible assets are based upon expected future cash flows or income, which take into consideration certain assumptions such as customer turnover, trade names and patent lives. These determinations are primarily based upon the Company's historical experience and expected benefit of each intangible asset. If it is determined that such assumptions have changed in future periods, then the resulting change will impact the fair value of the intangible asset. Intangible assets subject to amortization are amortized over the period of estimated economic benefit ranging from 1 to 20 years and the amortization expense is included in cost of revenues and general and administrative expenses on the Consolidated Statements of Income.

The Company evaluates its goodwill and indefinite-lived intangible assets for impairment pursuant to FASB ASC Topic No. 350, Intangibles - Goodwill and Other ("ASC 350"), which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested for impairment annually or more frequently if the Company believes indicators of impairment exist. In connection with the annual impairment test for goodwill, on October 1, the Company has the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then it performs the impairment test on goodwill. The impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of its reporting units using the income approach methodology of valuation. If the carrying value of a reporting unit exceeds the reporting unit's fair value, an impairment loss is recognized for the difference. The Company has a single reporting unit. In the fourth quarter of 2024, the Company performed the annual impairment test for goodwill for the year ended December 31, 2024 using a qualitative assessment, primarily taking into consideration macroeconomic, industry and market conditions, overall financial performance and any other relevant company-specific events. There was no accumulated impairment of the Company's goodwill as of December 31, 2024. The Company performed the annual impairment test for intangible assets with indefinite lives for the year ended December 31, 2024 using a qualitative assessment primarily taking into consideration macroeconomic, industry and market conditions, overall financial performance and any other relevant company-specific events. There were no impairments of the Company's indefinite-lived intangible assets recorded in 2024, 2023 and 2022.

(o) Income Taxes

The Company's income is subject to taxation in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that certain positions might be challenged despite the Company's belief that its tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate (see Note 12 - Income Taxes).

The Company accounts for income taxes in accordance with FASB ASC Topic No. 740, Income Taxes ("ASC 740"), which requires that deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. ASC 740 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. The valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, the Company reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax benefit is required to meet before it can be recognized in the financial statements and applies to all income tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. The Company recognizes accrued interest and penalties related to uncertain income tax positions in income tax expense on its Consolidated Statements of Income.

(p) Share-Based Compensation

The Company accounts for share-based awards to employees and non-employees in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation ("ASC 718"). Accordingly, the Company measures share-based compensation expense at the grant date, based on the fair value of the award, and recognizes the expense over the employee's requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria, including but not limited to, the valuation model used and associated input factors, such as the stock price on the date of grant, expected term of the award, stock price volatility, risk free interest rate, dividend rate and forfeiture rate. These inputs are subjective and are determined using management's judgment. The Company estimates the expected term based upon the contractual term of the award (see Note 14 - Equity Incentive and Employee Stock Purchase Plan).

(q) Earnings Per Common Share ("EPS")

EPS is calculated pursuant to the two-class method as defined in FASB ASC Topic No. 260, Earnings per Share ("ASC 260"), which specifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS pursuant to the two-class method.

Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common shareholders, excluding participating securities, by the weighted-average number of common shares outstanding. The Company's participating securities consist of its unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the impact of other potentially dilutive shares outstanding during the period. The dilutive effect of participating securities is calculated under the more dilutive of either the treasury method or the two-class method (see Note 16 - Earnings Per Share).

(r) Research, Development and Engineering

Research, development and engineering costs are expensed as incurred. Development of internal-use software is capitalized and amortized as described in paragraph (l).

(s) Segment Reporting

FASB ASC Topic No. 280, Segment Reporting ("ASC 280"), establishes standards for the way that public business entities report information about reportable segments in their annual consolidated financial statements and requires that those entities report selected information about reportable 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 ("CODM"), who is our chief executive officer ("CEO"), for making operating and investment decisions and for assessing performance. The Company's CEO reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. The CEO uses consolidated profit or loss from operations before interest and income taxes to allocate resources predominantly in the annual budget and forecasting process. The CEO considers budget-to-actual variances on a monthly basis when making decisions about allocating capital and personnel. The CEO also uses consolidated profit or loss from operations before interest and income taxes and consolidated net income to assess performance. Accordingly, the Company has determined that it operates one reportable segment known as Cloud Fax (see Note 17 - Segment Information). The consolidated financial statements and related disclosures reflect the segment operations of Cloud Fax.

(t) Advertising Costs

Advertising costs are expensed as incurred and are included in sales and marketing expenses on our Consolidated Statements of Income. Advertising costs for the years ended December 31, 2024, 2023 and 2022 were $29.0 million, $51.7 million and $55.4 million, respectively.

(u) Recent Accounting Pronouncements

In October 2023, the FASB issued Accounting Standards Update ("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 adopted ASU 2023-07 for the year ended December 31, 2024 (see Note 17 - Segment Information).

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.

In November 2024, the FASB issued ASU No. 2024-03, Income Statement: Expense Disaggregation Disclosures. The amendments in this ASU require disclosure of more information about certain expenses and costs and should be applied on either a prospective or retrospective basis. The amendments in this ASU are effective for fiscal periods beginning after December 15, 2026. Early adoption is permitted. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

(v) 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.

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):

	Years Ended December 31,		
	2024	**2023**	**2022**
Corporate	$ 209,112	$ 199,621	$ 192,195
Small office home office ("SoHo")	141,258	162,916	170,199
Other	12	25	28
Total revenues	$ 350,382	$ 362,562	$ 362,422
Timing of revenue recognition			
Point in time	$ 1,064	$ 427	$ 557
Over time	349,318	362,135	361,865
Total revenues	$ 350,382	$ 362,562	$ 362,422

The Company has recorded $22.0 million and $23.6 million of revenue for the years ended December 31, 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 an 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. Business Acquisitions

The Company uses acquisitions as a strategy to grow its customer base by increasing its presence in new and existing markets, expand and diversify its service offerings, enhance its technology and acquire skilled personnel.

Summit Healthcare Acquisition

On February 4, 2022, in a cash transaction, the Company acquired certain assets of Summit Healthcare Services, Inc. ("Summit"), a Massachusetts based provider of secure interoperability solutions within the healthcare industry.

The Consolidated Statements of Income since the date of acquisition reflect the results of operations of this 2022 acquisition. For the year ended December 31, 2022, this acquisition contributed $6.8 million to the Company's revenues. Net income contributed by this acquisition was not separately identifiable due to the Company's integration activities and is not material. Total consideration for this transaction was $12.2 million, net of cash acquired.

5. Fair Value Measurements

The Company complies with the provisions of 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 $26.8 million and $72.1 million as of December 31, 2024 and 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 8 - 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 intangibles 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.

6. Property and Equipment

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

	2024	2023
Internal-use software development costs	$ 88,244	$ 51,396
Computers, software and equipment	18,616	21,701
Furniture and fixtures	882	887
Leasehold improvements	1,715	1,720
Internal-use software development costs in process	46,676	48,022
	156,133	123,726
Less: Accumulated depreciation and amortization	(56,057)	(42,530)
Total property and equipment, net	$ 100,076	$ 81,196

Depreciation and amortization expense was $16.8 million, $13.1 million and $10.6 million for the years ended December 31, 2024, 2023 and 2022, respectively.

7. Goodwill and Intangible Assets

The changes in carrying amounts of goodwill for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	Amount
Balance as of January 1, 2023	$ 346,585
Foreign exchange translation	2,237
Balance as of December 31, 2023	$ 348,822
Foreign exchange translation	(3,786)
Balance as of December 31, 2024	$ 345,036

Intangible Assets with Indefinite Lives:

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

	2024	2023
Trade names	$ 27,316	$ 27,367
Other	4,045	4,045
Total	$ 31,361	$ 31,412

Intangible Assets Subject to Amortization:

As of December 31, 2024, intangible assets subject to amortization are summarized as follows (in thousands):

	Weighted-Average Remaining Amortization Period	Historical Cost	Accumulated Amortization	Net
Trade names	0.2 years	$ 8,107	$ 7,826	$ 281
Patent and patent licenses	0.0 years	54,341	54,341	—
Customer relationships [(1)]	2.1 years	107,287	99,054	8,233
Other purchased intangibles	1.2 years	11,914	10,576	1,338
Total		$ 181,649	$ 171,797	$ 9,852

[(1)] 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 [(1)]	2.6 years	108,417	97,333	11,084
Other purchased intangibles	1.8 years	11,989	9,905	2,084
Total		$ 182,946	$ 169,368	$ 13,578

[(1)] 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 December 31, 2024 are as follows (in thousands):

Fiscal Year:	Amount
2025	$ 2,593
2026	2,089
2027	1,388
2028	986
2029	803
Thereafter	1,993
Total	$ 9,852

Amortization expense was $3.7 million, $4.3 million and $4.7 million for the years ended December 31, 2024, 2023 and 2022, respectively.

8. Long-Term Debt

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

	2024	2023
2026 Senior Notes	$ 248,980	$ 280,014
2028 Senior Notes	349,137	462,414
Total	598,117	742,428
Less: deferred issuance costs	(5,135)	(8,448)
Total debt	592,982	733,980
Less: current portion, net of debt issuance costs	(18,902)	(8,575)
Total long-term debt, less current portion	$ 574,080	$ 725,405

As of December 31, 2024 and 2023, the estimated fair value of the 2026 Senior Notes (as defined below) was approximately $246.2 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 December 31, 2024 and 2023, the estimated fair value of the 2028 Senior Notes (as defined below) was approximately $346.1 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 December 31, 2024, future contractual principal payments for debt were as follows (in thousands):

	Total
Fiscal year:	
2025 [(1)]	$ 890
2026	248,980
2027	—
2028	348,247
2029	—
Thereafter	—
Total	$ 598,117

[(1)] The Company has reclassified $0.9 million from the 2028 period into the 2025 period as debt repurchases were made subsequent to December 31, 2024, but prior to the filing of these financial statements (see Note 20 - Subsequent Events).

2026 Senior Notes

On October 7, 2021, Consensus issued $305.0 million of senior notes due in 2026 (the "2026 Senior Notes"), in a private placement offering exempt from the registration requirements of the Securities Act of 1933. Consensus received 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, which is presented net of deferred issuance costs, on the Consolidated Balance Sheets as of December 31, 2024 and 2023. The 2026 Senior Notes bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, which commenced on April 15, 2022.

The 2026 Senior Notes mature on October 15, 2026, and are senior unsecured obligations of the Company which are guaranteed, jointly and severally, on an unsecured basis by certain of the Company's existing and future domestic direct and indirect wholly-owned subsidiaries. If Consensus Cloud Solutions, Inc. or any of its restricted subsidiaries acquires or creates a domestic restricted subsidiary, other than an Insignificant Subsidiary (as defined in the indenture pursuant to which the 2026 Senior Notes were issued (the "2026 Indenture")), after the issue date, or any Insignificant Subsidiary ceases to fit within the definition of Insignificant Subsidiary, such restricted subsidiary is required to unconditionally guarantee, jointly and severally, on an unsecured basis, the Company's obligations under the 2026 Senior Notes.

The Company may redeem some or all of the 2026 Senior Notes at any time on or after October 15, 2023 at specified redemption prices, plus accrued and unpaid interest, if any, up to, but excluding the redemption date.

The Indenture 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 December 31, 2024.

The following table provides additional information related to our 2026 Senior Notes as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Principal amount of 2026 Senior Notes	$ 248,980	280,014
Less: Debt issuance costs	(1,536)	(2,612)
Net carrying amount of 2026 Senior Notes	$ 247,444	$ 277,402

2028 Senior Notes

On October 7, 2021, Consensus issued $500.0 million of 6.5% senior notes due in 2028 (the "2028 Senior Notes"), in a private placement offering exempt from the registration requirements of the Securities Act of 1933. In exchange for the equity interest in the Company, Consensus issued the 2028 Senior Notes to Ziff Davis. 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 indebtedness under such credit agreement. The 2028 Senior Notes are presented as current portion of long-term debt and long-term debt, net of current portion, which are presented net of deferred issuance costs, on the Consolidated Balance Sheets as of December 31, 2024 and 2023. The 2028 Senior Notes bear interest at a rate of 6.5% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, which commenced on April 15, 2022.

The 2028 Senior Notes mature on October 15, 2028, and are senior unsecured obligations of the Company that are guaranteed, jointly and severally, on an unsecured basis by certain of the Company's existing and future domestic direct and indirect wholly-owned subsidiaries. If Consensus Cloud Solutions, Inc. or any of its restricted subsidiaries acquires or creates a domestic restricted subsidiary, other than an Insignificant Subsidiary (as defined in the indenture pursuant to which the 2028 Senior Notes were issued (the "2028 Indenture")), after the issue date, or any Insignificant Subsidiary ceases to fit within the definition of Insignificant Subsidiary, such restricted subsidiary is required to unconditionally guarantee, jointly and severally, on an unsecured basis, the Company's obligations under the 2028 Senior Notes.

The Company may redeem some or all of the 2028 Senior Notes at any time on or after October 15, 2026 at specified redemption prices plus accrued and unpaid interest, if any, up to, but excluding the redemption date.

The Indenture 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 December 31, 2024.

The following table provides additional information related to our 2028 Senior Notes as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Principal amount of 2028 Senior Notes	$ 349,137	$ 462,414
Less: Debt issuance costs	(3,599)	(5,836)
Net carrying amount of 2028 Senior Notes	$ 345,538	$ 456,578

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 December 31, 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 December 31, 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 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 are determined by the Company, depending on market conditions and other factors it deems relevant. During the years ended December 31, 2024 and 2023 the Company retired $144.3 million and $62.6 million, respectively, in principal of its senior notes under this program. Cumulatively as of December 31, 2024, $206.9 million in principal of the Company's senior notes has been retired under this program. Refer to Note 20 - Subsequent Events for debt repurchases made subsequent to December 31, 2024, but prior to the filing of these financial statements. In connection with the Debt Repurchase Program, the Company reclassified $18.9 million and $8.6 million of long-term debt, net of current portion to the current portion of long-term debt as of December 31, 2024 and 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 respective reporting periods.

For years ended December 31, 2024 and 2023, a gain on debt extinguishment of $6.6 million and $4.8 million, respectively, related to the Debt Repurchase Program is included in interest expense on the Consolidated Statements of Income.

9. Leases

The Company leases certain facilities and equipment under non-cancelable operating and finance leases which expire at various dates through 2031. Office and equipment leases are typically for terms of three to ten years and generally provide renewal options for terms up to an additional five years. The Company determines if an arrangement is a lease at inception. Short-term leases are defined as leases that have a term of 12 months or less and do not include an option to purchase the underlying asset or include an option to purchase the underlying asset that the Company is not reasonably certain to exercise.

The Company accounts for short-term leases by recognizing the lease payments in general and administrative expenses in the Consolidated Statements of Income. Short-term lease expense is recognized on a straight-line basis over the term of the lease and associated variable lease payments are recognized in the period in which the obligation for the payments is incurred.

Operating lease assets represent the right to use an underlying asset for the lease term, and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Company uses a collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Operating leases typically require payment of certain non-lease costs, such as real estate taxes, common area maintenance and insurance. These components comprise the majority of the Company's variable lease costs and are excluded from the present value of lease liabilities unless an event occurs that results in the payments becoming fixed for the remaining term. The remaining lease and non-lease components are accounted for together as a single lease component for all underlying classes of assets. Operating lease assets are adjusted for lease incentives, initial direct costs, impairments and exit or disposal costs.

The Company accounts for operating leases greater than one year by recognizing the lease payments in general and administrative expenses in the Consolidated Statements of Income. Operating lease costs are recognized on a straight-line basis from the commencement date to the end of the lease term. Amortization of finance lease right-of-use assets is included in general and administrative expenses in the Consolidated Statements of Income. Interest related to finance lease right-of-use assets, if any, is included in interest expense in the Consolidated Statements of Income. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense, recorded in cost of revenues and general and administrative expenses on the Consolidated Statements of Income, are as follows (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Operating lease cost	$ 2,491	$ 2,663	$ 2,121
Short-term lease cost	182	1,671	1,656
Finance lease cost			
Amortization of right-of-use assets	378	1,057	1,182
Total lease cost	$ 3,051	$ 5,391	$ 4,959

Supplemental cash flow information related to leases is as follows (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 3,281	$ 2,999	$ 2,784
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	$ 1,304	$ 542	$ 1,316

Other supplemental operating lease information consists of the following:

	December 31, 2024	December 31, 2023
Operating leases:		
Weighted average remaining lease term	5.6 years	6.7 years
Weighted average discount rate	4.9 %	4.8 %

Maturities of operating lease liabilities as of December 31, 2024 are as follows (in thousands):

	Total
Fiscal Year:	
2025	$ 2,989
2026	2,964
2027	2,916
2028	2,612
2029	2,691
Thereafter	2,864
Total lease payments	17,036
Less: Imputed interest	(2,868)
Present value of operating lease liabilities	$ 14,168

Significant Judgments

<u>*Discount Rate*</u>

The majority of the Company's leases are discounted using the Company's collateralized incremental borrowing rate as the rate implicit in the lease is not readily determinable. Rates are obtained from various large banks to determine the appropriate incremental borrowing rate at the lease commencement date for collateralized loans with a maturity similar to the lease term.

<u>*Options*</u>

The lease term is generally the minimum noncancelable period of the lease. The Company does not include option periods unless the Company determined it is reasonably certain of exercising the option at inception or when a triggering event occurs.

10. 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 as incurred legal fees related to any litigation.

Non-Income Related Taxes

The Company historically did not collect sales tax in states where it was not able to quantify the appropriate sales tax to be collected. In the year ended December 31, 2021, the Company developed a methodology to estimate the sales tax liability for the SoHo revenue stream. The Company also believed it was probable that a sales tax liability existed for its Corporate accounts; however, the sales tax liability for its Corporate customers was not estimable until the third quarter of 2022. Prior to the third quarter of 2022, the Company was unable to determine which of these customers were either exempt organizations or resellers and were thus exempt from sales tax.

In the third quarter of 2022, the Company completed an analysis of the pool of Corporate customers subject to sales tax in order to estimate the range of sales tax liability on its Corporate revenues. As a result, the Company recorded an accrual of $8.0 million during the quarter ended September 30, 2022. Additionally, the Company started sales tax collection on corporate sales in applicable states in August 2022 and on SoHo sales during 2024.

In the third quarter of 2022, the Company initiated a Voluntary Disclosure Agreement ("VDA") process to voluntarily report its 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 has recorded a sales tax expense within general and administrative expenses in the Consolidated Statements of Income of $1.0 million, $2.0 million and $9.4 million for the years ended December 31, 2024, 2023 and 2022, 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 Consolidated Balance Sheets was $5.9 million and $7.3 million as of December 31, 2024 and 2023, respectively.

11. Other Balance Sheet Account Details

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Prepaid insurance	$ 2,601	$ 939
Prepaid income taxes	2,065	3,698
Prepaid marketing expense	3,365	—
Prepaid software licenses	4,346	3,232
Other prepaid expenses	3,389	1,799
Other current assets	292	523
Total	$ 16,059	$ 10,191

Accounts payable and accrued expenses

Accounts payable and accrued expenses consisted of the following as of December 31, 2024 and 2023 (in thousands):

	2024	2023
Accounts payable	$ 7,383	$ 9,858
Accrued sales and other taxes	6,796	8,806
Accrued interest	7,939	9,885
Accrued compensation	10,425	4,337
Accrued advertising expenses	2,719	2,485
Other accrued expenses	1,216	1,135
Total	$ 36,477	$ 36,506

12. Income Taxes

Income from operations before income taxes for the years ended December 31, 2024, 2023 and 2022 was as follows (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Domestic	$ 46,637	$ 30,998	$ 7,772
Foreign	75,608	72,166	91,141
Income before income taxes	$ 122,245	$ 103,164	$ 98,913

Income tax expense consists of the following (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Current:			
Federal	$ 19,296	$ 17,330	$ 13,327
State	3,774	4,058	1,941
Foreign	7,261	1,945	12,669
Total current tax expense	30,331	23,333	27,937
Deferred:			
Federal	(3,733)	(852)	(5,851)
State	2,364	(884)	(1,359)
Foreign	3,848	4,272	5,472
Total deferred tax expense (benefit)	2,479	2,536	(1,738)
Income tax expense	$ 32,810	$ 25,869	$ 26,199

A reconciliation of the statutory federal income tax rate with Consensus’ effective income tax rate is as follows:

	Years Ended December 31,		
	2024	2023	2022
Statutory tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net	2.0	2.1	1.2
Foreign rate differential	(2.9)	(1.8)	(1.8)
Foreign income inclusion	5.1	7.9	6.3
Foreign tax credit	(3.3)	(5.7)	(3.6)
Reserve for uncertain tax positions	2.9	3.1	2.1
Valuation allowance	0.8	—	—
Impact on deferred taxes of enacted tax law and rate changes	0.3	(0.1)	0.1
Tax credits and incentives	(2.1)	(2.6)	(2.4)
Executive compensation	0.3	1.4	3.1
Return to provision adjustments	0.3	(0.9)	0.8
Other	2.4	0.7	(0.3)
Effective tax rates	26.8 %	25.1 %	26.5 %

The effective tax rate for the years ended December 31, 2024, 2023, and 2022 differs from the federal statutory rate primarily due to the foreign income inclusion, an increase in the net reserve for uncertain tax positions, impact of jurisdictional mix of earnings, various tax credits and certain expenses not deductible for tax purposes.

The primary foreign tax jurisdictions that the Company operates in are: Canada, Ireland and Japan with a statutory tax rate of 26.5%, 12.5% and 30.6%, respectively.

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	$ 44	$ 56
Tax credit carryforwards	1,716	1,323
Accrued expenses	1,264	1,214
Allowance for bad debt	1,401	1,582
Share-based compensation expense	3,568	2,210
Basis difference in intangibles	9,259	15,657
Basis difference in developed software	2,772	1,907
Deferred revenue	918	940
Operating lease	3,550	3,734
State taxes	665	506
Section 163(j) interest limitation	7,820	7,279
Other	2,769	1,711
	35,746	38,119
Less: valuation allowance	(1,064)	(45)
Total deferred tax assets	$ 34,682	$ 38,074
Deferred tax liabilities:		
Basis difference in property and equipment	$ (132)	$ (399)
ROU asset	(1,617)	(1,586)
Prepaid insurance	(1,757)	(1,344)
Other	(1,546)	(974)
Total deferred tax liabilities	(5,052)	(4,303)
Net deferred tax assets	$ 29,630	$ 33,771
Reported as:		
Deferred income taxes (non-current assets)	$ 30,521	$ 34,869
Deferred income taxes (non-current liabilities)	891	1,098
Net deferred tax assets	$ 29,630	$ 33,771

The Company had approximately $29.6 million and $33.8 million in net deferred tax assets as of December 31, 2024 and 2023, respectively, related primarily to basis difference in intangibles and developed software and the Section 163(j) interest limitation. Based on the weight of available evidence, the Company assesses whether it is more likely than not that some portion or all of a deferred tax asset will not be realized. If necessary, the Company records a valuation allowance sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. As of December 31, 2024, the Company had a valuation allowance of $1.1 million against its foreign tax credit. As of December 31, 2023, the Company had a minimal amount of valuation allowance against its deferred tax assets of foreign net operating losses.

As of December 31, 2024 and 2023, the Company had interest expense limitation carryforward of $32.9 million and $30.4 million, respectively, which carries forward indefinitely.

As of December 31, 2024 and 2023, the Company had $1.7 million and $1.3 million foreign tax credit carryforward, respectively. If unused, these credits will begin to expire in 2031.

In addition, as of December 31, 2024 and 2023, the Company had state research and development tax credits of $1.7 million and $1.8 million, respectively, which can be carried forward indefinitely.

Federal and state laws can impose substantial restrictions on the utilization of tax credit carryforwards in the event of an "ownership change," as defined in Section 382 of the Internal Revenue Code. The Company has determined that no significant limitation would be placed on the utilization of its tax credit carryforwards due to ownership changes.

The Company had approximately $273.0 million of undistributed earnings from foreign subsidiaries as of December 31, 2024. The Company considers earnings of $31.7 million of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. If the Company decides to repatriate these foreign earnings, the Company would need to adjust the income tax provision in the period in which it is determined that the earnings will no longer be indefinitely invested outside the United States.

Certain tax payments are prepaid during the year and are included within prepaid expenses and other current assets on the Consolidated Balance Sheets. The Company's prepaid tax payments were $2.1 million and $3.7 million at December 31, 2024 and 2023, respectively (see Note 11 - Other Balance Sheet Account Details).

Uncertain Income Tax Positions

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold, it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company classifies gross interest and penalties and unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as non-current liabilities in the Consolidated Balance Sheets.

The aggregated changes in the balance of unrecognized tax benefits, which excludes interest and penalties, for 2024, 2023 and 2022, is as follows (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Beginning balance	$ 8,487	$ 5,742	$ 3,735
Decreases related to tax positions taken during a prior year	—	—	(863)
Increases related to tax positions taken in the current year	2,796	2,745	2,870
Ending balance	$ 11,283	$ 8,487	$ 5,742

As of December 31, 2024, the total amount of unrecognized tax benefits, excluding interest and penalties, was $11.3 million, which, if recognized, would affect the Company's effective tax rate. As of December 31, 2023, the total amount of unrecognized tax benefits, excluding interest and penalties, was $8.5 million, which, if recognized, would affect the Company's effective tax rate. As of December 31, 2022, the total amount of unrecognized tax benefits, excluding interest and penalties, was $5.7 million, which, if recognized, would affect the Company's effective tax rate.

The Company includes interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of December 31, 2024 and 2023, the total amount of interest and penalties accrued was $2.0 million and $1.2 million, respectively, which is classified as a liability for uncertain tax positions on the Consolidated Balance Sheets. In connection with tax matters, the Company recognized interest and penalty expense in 2024, 2023 and 2022 of $0.8 million, $0.3 million and $0.1 million, respectively.

Uncertain income tax positions are reasonably possible to significantly change during the next 12 months as a result of completion of income tax audits and expiration of statutes of limitations. At this point, it is not possible to provide an estimate of the amount, if any, of significant changes in reserves for uncertain income tax positions as a result of the completion of income tax audits that are reasonably possible to occur in the next 12 months. In addition, the Company cannot currently estimate the amount of, if any, uncertain income tax positions which will be released in the next 12 months as a result of expiration of statutes of limitations.

The Company files tax returns in the U.S., Ireland, Canada, Japan, Netherlands, France and Hong Kong. As of December 31, 2024, the Company is not under audit in any jurisdiction that it operates within. With respect to these international subsidiaries, tax returns filed for the years from 2018 onwards are still open to examination by tax authorities.

13. 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, which was subsequently extended through February 2028 (see Note 20 - Subsequent Events). The timing and amounts of purchases are 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 and during the years ended December 31, 2024 and 2023, the Company repurchased 57,063 and 839,548 shares, respectively, at an aggregate cost of $1.0 million and $23.7 million (inclusive of excise tax of $0.2 million), respectively, under this program. Cumulatively as of December 31, 2024, 1,085,725 shares have been repurchased at an aggregate cost of $32.3 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 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 years ended December 31, 2024, 2023 and 2022 the Company withheld shares on its vested restricted stock units and restricted stock awards relating to its share-based compensation plans of 122,406, 61,878 and 71,509 shares, respectively.

Refer to Note 14 - Equity Incentive and Employee Stock Purchase Plan, for shares of common stock issued in relation to the Company's equity incentive plan.

Dividends

The Company currently does not issue dividends to Consensus shareholders. Future dividends are subject to the approval of the Company's Board of Directors. Our current debt agreements could trigger restrictions on dividend payments under certain circumstances (see Note 8 - Long-Term Debt).

14. Equity Incentive and Employee Stock Purchase Plan

The Company's share-based compensation plans include the 2021 Equity Incentive Plan (the "2021 Plan") and the Consensus Cloud Solutions, Inc. 2021 Employee Stock Purchase Plan (the "Purchase Plan").

The 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. 4,000,000 shares of common stock are authorized to be used for 2021 Plan purposes. As of December 31, 2024, 1,357,360 shares were available to be issued 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. The Company granted 809,439, 567,218 and 216,959 restricted stock units during the years ended December 31, 2024, 2023 and 2022, respectively.

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 the 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 years ended December 31, 2024, 2023 and 2022, the Company granted 190,749, 122,150 and 42,586 shares, respectively, of market-based restricted stock units. The per share weighted-average grant-date fair values of the market-based awards granted during the years ended December 31, 2024, 2023 and 2022 were $24.34, $23.69 and $55.47, respectively, as determined by the Monte Carlo valuation. Notwithstanding the valuation, for the underlying stock price assumption, all market-based stock awards utilize the market value at the close of business on the date the grant is awarded.

The Monte Carlo valuation model used to estimate the fair value of the market-based awards granted utilized the following weighted-average assumptions:

	December 31, 2024	December 31, 2023	December 31, 2022
Underlying stock price at valuation date	$ 25.04	$ 25.00	$ 59.66
Expected volatility	63.9 %	50.0 %	43.8 %
Risk-free interest rate	4.1 %	4.2 %	3.6 %
Contractual term	8 years	8 years	8 years

Restricted stock activity for the years ended December 31, 2024, 2023 and 2022 is set forth below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2022	65,235	$ 38.46
Granted	884	37.67
Vested	(30,703)	38.50
Canceled	—	—
Nonvested at December 31, 2022	35,416	38.42
Granted	—	—
Vested	(19,737)	37.77
Canceled	—	—
Nonvested at December 31, 2023	15,679	39.24
Granted	—	—
Vested	(9,225)	37.95
Canceled	(6,454)	41.07
Nonvested at December 31, 2024	—	$ —

As of December 31, 2024, the Company had no 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 years ended December 31, 2024, 2023 and 2022 is set forth below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2022	1,013,097	$ 50.71
Granted	259,545	57.61
Vested	(165,494)	54.72
Canceled	(24,697)	56.20
Outstanding at December 31, 2022	1,082,451	51.63
Granted	689,368	27.21
Vested	(173,356)	55.96
Canceled	(37,906)	55.45
Outstanding at December 31, 2023	1,560,557	40.27
Granted	1,000,188	24.04
Vested	(383,225)	37.58
Canceled	(81,204)	34.41
Outstanding at December 31, 2024	2,096,316	$ 33.24

As of December 31, 2024, the Company had unrecognized share-based compensation cost related to its restricted stock units of $39.4 million, which is expected to be recognized over a weighted-average period of 2.7 years.

The Company recognized $1.9 million, $0.9 million and $1.3 million of tax benefits related to the share-based compensation costs for the years ended December 31, 2024, 2023 and 2022, respectively, related to the 2021 Plan.

Employee Stock Purchase Plan ("ESPP")

In October of 2021, Consensus established the Purchase Plan, which provides the issuance of a maximum of 1,000,000 shares of common stock. Under the Purchase Plan, eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of Consensus' common stock on certain plan-defined dates. The purchase price for each offering period is 85% of the lesser of the fair market value of a share of common stock of the Company on the first or last day of the offering period, with each offering period being six months.

The plan includes a provision which allows for the more favorable of two exercise prices, commonly referred to as a "look-back" feature. The purchase price discount and the look-back feature cause the Purchase Plan to be compensatory and therefore, the Company is required to recognize compensation expense. The compensation cost is recognized on a straight-line basis over the requisite service period, which is the same as the offering period of the Purchase Plan. The Company used the Black-Scholes option pricing model to calculate the estimated fair value of the purchase right issued under the Purchase Plan. The expected volatility is based on historical volatility of the Company's common stock. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a term equal to the expected term of the option assumed at the date of grant. The Company uses an annualized dividend yield based upon the per share dividends declared by its Board of Directors. Estimated forfeiture rates were 5.93%, 7.69% and 6.73% as of December 31, 2024, 2023 and 2022, respectively.

During 2024, 2023 and 2022, 81,674, 56,663 and 32,096 Consensus shares were purchased under the Purchase Plan for a weighted average purchase price of $16.33, $24.45 and $40.39 per share, respectively. Cash received upon issuance of the Company's common stock under the Purchase Plan was $1.3 million, $1.4 million and $1.3 million for the years ended December 31, 2024, 2023 and 2022, respectively. As of December 31, 2024, there are 819,146 shares available under the Purchase Plan for future issuance.

The compensation expense related to the Purchase Plan has been estimated utilizing the following assumptions:

	December 31, 2024	December 31, 2023	December 31, 2022
Risk-free interest rate	4.44%	5.38%	4.54%
Expected term (in years)	0.5	0.5	0.5
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	49.53%	53.57%	48.19%
Weighted average volatility	49.53%	53.57%	48.19%

15. Defined Contribution 401(k) Savings Plan

Consensus has a 401(k) Savings Plan that qualifies under Section 401(k) of the Internal Revenue Code. Eligible U.S. employees may contribute a portion of their salary through payroll deductions, subject to certain limitations. The Company may make annual contributions at its sole discretion to these plans. For the years ended December 31, 2024, 2023 and 2022, the Company made contributions of $1.1 million, $1.1 million and $0.8 million, respectively, to this 401(k) Savings Plan.

16. Earnings Per Share

The components of basic and diluted earnings per share for the years ended December 31, 2024, 2023 and 2022 are as follows (in thousands, except share and per share data):

	Years Ended December 31,		
	2024	2023	2022
Numerator for basic and diluted net income per common share:			
Net income attributable to common shareholders	$ 89,435	$ 77,295	$ 72,714
Net income available to participating securities [(1)]	(9)	(59)	(143)
Net income available to common shareholders from operations	$ 89,426	$ 77,236	$ 72,571
Denominator:			
Weighted-average outstanding shares of common stock	19,286,579	19,582,460	19,863,286
Dilutive effect of:			
Equity incentive plans	94,227	13,970	75,351
Employee stock purchase plan	3,043	4,522	15,148
Common stock and common stock equivalents	19,383,849	19,600,952	19,953,785
Net income per share from operations:			
Basic	$ 4.64	$ 3.94	$ 3.65
Diluted	$ 4.62	$ 3.94	$ 3.64

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

For the years ended December 31, 2024, 2023 and 2022, 1,144,088, 872,418 and 509,280 anti-dilutive shares were excluded from earnings per share calculation, respectively.

17. Segment Information

The following presents the segment information of Cloud Fax (in thousands):

	Years Ended December 31,		
	2024	2023	2022
Revenues	$ 350,382	$ 362,562	$ 362,422
Less:			
Salary and benefits	83,361	80,503	73,859
Marketing	20,544	34,825	39,330
Phone operations	16,003	17,989	18,695
Outside services	15,801	20,166	18,262
Depreciation and amortization	20,516	17,421	15,302
Other segment items (1)	44,757	44,429	45,056
Segment operating profit	149,400	147,229	151,918
Interest expense	(33,979)	(45,367)	(51,423)
Interest income	2,546	3,715	—
Other income (expense), net (2)	4,278	(2,413)	(1,582)
Segment earnings before income taxes	$ 122,245	$ 103,164	$ 98,913
Income tax expense	32,810	25,869	26,199
Segment net income	$ 89,435	$ 77,295	$ 72,714

(1) Other segment items includes: database hosting expenses, computer and related expenses, processing fees, bad debt expense, taxes and insurance expenses, office expenses, travel and entertainment expenses, other administrative expenses and miscellaneous expenses.
(2) Other income (expense), net includes: gain/loss on foreign currency exchange and miscellaneous income/expense

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):

	Years Ended December 31,		
	2024	2023	2022
Revenues:			
United States	$ 276,472	$ 286,829	$ 286,044
Canada	53,449	52,216	49,392
Ireland	12,035	14,534	17,773
All other countries	8,426	8,983	9,213
Foreign countries	73,910	75,733	76,378
Total	$ 350,382	$ 362,562	$ 362,422

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):

	December 31, 2024	December 31, 2023
Long-lived assets:		
United States	$ 106,244	$ 87,378
Canada	191	196
Ireland	155	250
All other countries	1	138
Foreign countries	347	584
Total	$ 106,591	$ 87,962

18. Supplemental Cash Flows Information

Cash paid for interest on outstanding debt during the years ended December 31, 2024, 2023 and 2022 was $43.5 million, $51.4 million and $51.9 million, respectively.

The Company capitalized $2.9 million, $2.6 million and $1.4 million of interest expense within property and equipment, net on the Company's Consolidated Balance Sheets during the years ended December 31, 2024, 2023 and 2022, respectively.

The Company capitalized $2.8 million, $1.9 million and $1.5 million of share-based compensation cost within property and equipment, net on the Company's Consolidated Balance Sheets during the years ended December 31, 2024, 2023 and 2022, respectively.

Cash paid for income taxes net of refunds received was $26.4 million, $16.6 million and $36.5 million during the years ended December 31, 2024, 2023 and 2022, respectively.

19. Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss, which solely comprises of foreign currency translation adjustments, for the years ended December 31, 2024, 2023 and 2022 (in thousands):

	Foreign Currency Translation
Balance as of January 1, 2022	$ (16,857)
Other comprehensive loss before reclassifications	(2,251)
Net current period other comprehensive loss	(2,251)
Balance as of December 31, 2022	$ (19,108)
Other comprehensive income before reclassifications	5,931
Net current period other comprehensive income	5,931
Balance as of December 31, 2023	$ (13,177)
Other comprehensive loss before reclassifications	(9,874)
Net current period other comprehensive loss	(9,874)
Balance as of December 31, 2024	$ (23,051)

There were no reclassifications out of accumulated other comprehensive loss for the years ended December 31, 2024, 2023 and 2022.

20. Subsequent Events

In connection with the Company's Debt Repurchase Program (see Note 8 - Long-Term Debt), the Company paid $0.9 million, which includes accrued interest, to repurchase $0.9 million in principal of its senior notes subsequent to year-end.

On February 19, 2025, the Company's Board of Directors authorized and approved a three year extension of the ongoing share repurchase program for up to $100.0 million of the currently outstanding shares of the Company's common stock originally approved by the Board of Directors on March 1, 2022 and set to expire in February 2025. Subject to any future extension in the discretion of the Company's Board of Directors, the repurchase program is now scheduled to expire on the earlier of: i) in February 2028; ii) when a maximum of $100.0 million of the Company's common stock has been repurchased or; iii) when such program is discontinued by the Company's Board of Directors (see Note 13 - Stockholders' Deficit).

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under 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. Our CEO and CFO concluded that, as of December 31, 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.

Management's Annual Report on Internal Control Over Financial Reporting

Consensus' management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for Consensus. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) using the 2013 framework. Our system of internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its assessment, management has concluded that Consensus' internal control over financial reporting was effective as of December 31, 2024. The effectiveness of our internal controls over financial reporting as of December 31, 2024 has been audited by Deloitte & Touche, LLP, an independent registered public accounting firm and their opinion is stated in their report which is included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fourth quarter of our fiscal year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

(c) Trading Plans

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to the information to be set forth in our proxy statement ("2025 Proxy Statement") for the 2025 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2024.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the information to be set forth in our 2025 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the information to be set forth in our 2025 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the information to be set forth in our 2025 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information to be set forth in our 2025 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements.

The following financial statements are filed as a part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firms
(Deloitte & Touche LLP; Los Angeles, California; PCAOB ID #34 and BDO USA, P.C.; Los Angeles, California; PCAOB ID #243)
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Statements of Stockholders' Deficit
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

2. Financial Statement Schedule

The following financial statement schedule is filed as part of this Annual Report on Form 10-K:

Schedule II-Valuation and Qualifying Accounts for the three years ended December 31, 2024

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

3. Exhibits

The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference as indicated below (numbered in accordance with Item 601 of Regulation S-K). We shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

Exhibit Number	Description
2.1*	Separation and Distribution Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 2.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
3.1	Amended and Restated Certificate of Incorporation of Consensus Cloud Solutions, Inc. (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	Amended and Restated Bylaws of Consensus Cloud Solutions, Inc.(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).
4.1	2026 Notes Indenture, dated as of October 7, 2021, by and between Consensus Cloud Solutions, Inc. Wilmington Trust, National Associate, and the Guarantors named therein. (incorporated by reference to Ex. 4.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
4.2	2028 Notes Indenture, dated as of October 7, 2021, by and between Consensus Cloud Solutions, Inc. Wilmington Trust, National Associate, and the Guarantors named therein. (incorporated by reference to Ex. 4.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
4.3	Form of 2026 Note (included in Exhibit 4.1).
4.4	Form of 2028 Note (included in Exhibit 4.2).
4.5*	Description of Registrant's securities.
10.1*	Transition Services Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.2	Tax Matters Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.3*	Employee Matters Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.4	Intellectual Property License Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.5	Stockholder and Registration Rights Agreement, dated as of October 7, 2021, by and between Ziff Davis, Inc. and Consensus Cloud Solutions, Inc. (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.6†	Consensus Cloud Solutions, Inc. 2021 Equity Incentive Plan (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
10.7†	Consensus Cloud Solutions, Inc. 2021 Employee Stock Purchase Plan (incorporated by reference to Ex. 10.1 to Consensus' Current Report on Form 8-K filed with the Commission on October 8, 2021, File No. 001-40750).
19.1*	Consensus Cloud Solutions, Inc. Insider Trading Policy
21.1*	List of subsidiaries of Consensus Cloud Solutions, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm – Deloitte & Touche, LLP
23.2*	Consent of Independent Registered Public Accounting Firm – BDO USA, P.C.
31.1*	Rule 13a-14(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2*	Rule 13a-14(a) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Section 1350 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Consensus Cloud Solutions, Inc. Compensation Clawback Policy
101*	The following financial information from Consensus Cloud Solutions, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2024 and December 31, 2023, (ii) Consolidated Statements of Income for the years ended December 31, 2024, 2023 and 2022, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023 and 2022, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022, (v) Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2024, 2023 and 2022, and (vi) the Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith
** Furnished herewith
† Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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, on February 19, 2025.

Consensus Cloud Services, Inc.

By: /s/ R. SCOTT TURICCHI
R. Scott Turicchi
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, in each case on February 19, 2025.

Signature	Title
/s/ R. SCOTT TURICCHI **R. Scott Turicchi**	Chief Executive Officer and Director (Principal Executive Officer)
/s/ JAMES C. MALONE **James C. Malone**	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ DOUGLAS Y. BECH **Douglas Y. Bech**	Director
/s/ ELAINE HEALY **Elaine Healy**	Director
/s/ STEPHEN ROSS **Stephen Ross**	Director
/s/ NATE SIMMONS **Nate Simmons**	Director
/s/ PAMELA SUTTON-WALLACE **Pamela Sutton-Wallace**	Director

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions: Write-offs [1] and recoveries	Balance at End of Period
Year Ended December 31, 2024:				
Allowance for doubtful accounts	$ 6,271	$ 5,104	$ (5,601)	$ 5,774
Year Ended December 31, 2023:				
Allowance for doubtful accounts	$ 4,681	$ 5,897	$ (4,307)	$ 6,271
Year Ended December 31, 2022:				
Allowance for doubtful accounts	$ 4,743	$ 1,157	$ (1,219)	$ 4,681

[1] Represents specific amounts written off that were considered to be uncollectible.

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