

Sales Pulse Research Update

July 15, 2024

SPR Update - UC/CC/CP (NICE, FIVN, RNG, EGHT, ZM, TWLO, OOMA, CXDO, CXM)

UC/CC/CP - OUTLOOK AND TRENDS

TARGET PROVIDERS:

	Earnings Call	July Price	
NICE	Q2/24 August 15	\$172	FYE Dec 31
FIVN	Q2/24 August 5	\$42	FYE Dec 31
RNG	Q2/24 August 5	\$28	FYE Dec 31
EGHT	Q1/25 August 13	\$2.20	FYE March 31
ZM	Q2/25 August 19	\$57	FYE Jan 31
TWLO	Q2/24 August 13	\$56	FYE Dec 31
OOMA	Q2/25 August 28	\$9.25	FYE Jan 31
CXDO	Q2/24 August 8	\$3	FYE Dec 31
CXM	Q2/25 September 4	\$9.50	FYE Jan 31

Investor Sentiment vs. Vendor Performance

Investor sentiment is negative towards this segment because of the trend towards commoditization, the growing domination by Microsoft in UC and the uncertain impact of AI on seat count and profitability. Despite these factors, some of the names continue to execute well and our checks continue to be positive. In UC, checks on Ring Central continue to be positive, especially in the mid-market, served by their inside sales teams in the Philippines and a group in North Carolina.

In CC, input continues to be positive for Nice and Five9. So far, field feedback supports the claims of management, stating that the positive impact of AI continues to outweigh the negatives by creating more interest in new, cloud based solutions and that there is incremental revenue and little seat loss, so far, as a result of AI.

GENERAL TRENDS:

--NICE, FIVN, CXDO CXM, TWLO, ZM all down in the past month; RNG, EGHT steady; OOMA up.

--Continued downturn of stocks in this space has caused Ericsson to take a \$1.1 non-cash charge related to their purchase of VG. VG sales are down, but they are still competing for UC and CC business in the SMB space; doing well on the CPaaS side and 5G with Carriers.

--MSFT announcement of Dynamic Cloud Contact Center debuting July 1 has had an impact on the stock price of competitors. It builds on their Dynamics 365, Digital CC and Copilot for Service. They can now compete head to head and claim to scale easily.

--Current biggest AI App is Agent Assist - Call Wrap-up and Knowledge Support.

--Right now, AI leaders are NICE and FIVN, with honorable mention to Genesys, TalkDesk, Content Guru and Amazon Connect. Dark horse is Google Cloud Contact Center AI. These honorable mentions will become more significant as 2024 proceeds.

--AI-based annual Revenues in CC will double in next 3 years from current \$8 billion

-- Only 25% of Enterprise customers have adopted Cloud CC platforms. Still a large addressable market with AI driving the value that will attract revenue opportunities. NICE announced a \$100 million TCV sale.

--NICE is consensus leader in WFM and WFO, with FIVN close behind.

--Verint provides WFO/WEM enhancement to FIVN offering.

--Industry-wide, defections from CSCO, AVYA and Genesys continue to result in share gains for competitors.

VENDORS

NICE:

--Contact checks in June and early July indicate a strong close to Q2 and solid pipeline going into Q3 in early July. Using AI to land accounts and to expand through cross-sell into current customers. Over 80% of their customers use three, or more, solution modules.

--Analyst Day was very successful with leadership affirming Revenue and EPS projections for the Fiscal Year, stock buyback and largest deal in their history (\$100 million in Australia), among other announcements.

--Release of CXone Mpower places them firmly as the leader in Digital/AI integration and monetization.

--1CX gives customers a CXone integrated UCaaS solution for \$5/month/seat. Gives competitors a headache.

--AI features winning large deals and increasing average ARPU. NICE continues to be a leader in monetization of AI features, as well as WFM and WFO

--Competitors, such as FIVN, Genesys, RNG, mention Nice as biggest competitor on large deals, particularly with advanced features and AI.

CREXENDO:

- Stock has taken a hit in past few months, but our June/July Channel checks indicate strong sales from their 200+ Partners. As mentioned in previous report, rate of seat count growth on the platform is still very solid 20-25% seat growth for 2024.
- Based on contacts, Q2 reports should be in-line with Guidance.
- Crexendo is seeing International growth (particularly in UK and Australia), acquisitions for accretive growth and pipeline of new features and products, including CPaaS and AI features in their UC/CC solutions.
- They have recently announced growth to over 4.5 million users on their Call Platforms as they continue to take share from legacy BSFT and META platforms.
- They have enhanced their AI capabilities with enhancements to VIP CX Cloud Contact Center and VIP Voice AI Studio products.

ZOOM:

- June Channel checks indicate that Channel engagement is strong and particular success still noted with Phone and Contact Center. In addition, more opportunities closing with AI Companion.
- Phone and Contact Center still remain strong pillars in the revenue stream. Success in moving into Enterprise level accounts with 10,000 seat Contact Center and a number of 100K+ seat Phone customers.
- Changes ZM has made in their Channels Program Support the past year, increased incentives and solid successful close rates have resulted in more Partner opportunities and attention.
- AI improvements in everything from the ZM App, to AI Companion for ZM Phone and beyond are elevating ZM's position and success in competing with leading competitors. AI Companion had a 37% Q/Q improvement.
- Customers are seeing the value of AI Companion enabling users in easier meeting prep, summarizing meetings and bringing together Meetings, Chats, Mail, Notes and Docs to help users prep for their workday.

RING CENTRAL:

- Recent Channel checks report very good Channel engagement and strong pipelines. We believe that it is very likely that their Q2 ended at least in line with guidance.
- Added Optus in Australia to its Global Service Provider partner ecosystem. Vodafone partnership in EU is expanding geographic footprint. International geographic reach continues to expand.
- RingSense for Sales and for Phone still continuing strong in Channel check reports and Avaya now has access to sell it.

- RingCX, as previously reported, is becoming a significant revenue contributor. Channels are engaged and pushing this solution. Customer count continues to grow well over 200.
- Avaya will be able to sell RNG UC Collaboration with their Avaya Aura product for larger customers. Still selling ACO for the SMB space.
- Combination of these two products and RingCentral Events expected to have big impact in 2024. Channels still report excitement and building pipeline.
- Checks with contacts in the Inside Sales and small markets groups indicate strong performance to end Q2 and going into Q3.

EGHT:

- June/July Channel checks report some improvement over the tepid reports from May. Indications are that EGHT will likely meet guidance for Q1 2025, but the guidance and expectations were modest.
- Contacts indicate low morale within the Sales force. Further adjustments to territories and higher quotas without territory analysis has led to falling compensation and dissatisfaction. Some defections. Influx of TWLO sales and support people due to CRO's connection with TWLO. Many are struggling with how to sell in this space.
- Growth of Portfolio of offerings from a couple to eight distinct offerings in UC/CC/CP is starting to ramp up. 8x8 Engage is launching to enable customer-facing employees outside of the CC to have the tools to positively impact the customer experience.
- Candid comments from sources are that, generally, EGHT product enhancements usually come a little late in comparison to competitors. Difficulty in keeping up with NICE, FIVN, RNG.
- Operator Connect for Teams shows promise and continues their leadership in integration with Teams. (Voice for Teams, Direct Routing for Teams, etc.). EGHT CC is certified and integrated with Teams. MSFT Contact Center may diminish 8x8's opportunity as it matures.

FIVN:

- Based on our checks in June and July, we expect Five9 to meet or beat the moderate expectations that they have set. Reports of some sizable wins, though no details forthcoming.
- FIVN notes macro-economic headwinds more than others, and still positions for better second half, but funnels seem to be full and pricing is being maintained.
- 2024 sees FIVN continuing to expand Partner relationships and beginning to develop more Strategic Partners as part of its GTM strategy. Example would be its partnership with BT, which is now 40% of international subscription revenue.
- International Sales will be big contributor to revenue growth in 2024 and beyond.

--2024 will see FIVN continue to differentiate itself with expansion of AI and advanced features. Q1 saw a huge YOY increase in AI and automation bookings. Use of AI Assist and GenAI Studio have contributed to several large wins.

-- Win rates are keeping Channels leading with FIVN. Partners report continued success in large mid-market and smaller Enterprise opportunities. Carousel and Telarus remain as two of their biggest Partners.

OOMA:

--OOMA stock has been up since they reported a strong Q1 2025. Total Revenues up YOY by 10% and subscription revenues up 18%. Driven by Business Growth and the 2600Hertz acquisition.

--Most OOMA Business customers are choosing the Pro or Pro+ package, giving overall ARPU increase. Modest success in selling their home grown CC solution.

--Early July Channel checks still indicate Q2 2025 is meeting guidance, or better. Reports of strong pipeline in UC/CC and continued success on their POTS replacement product.

--AirDial product continues to be improved, with the addition of Multi-path technology which enables a continuous dual channel for uninterrupted Fire Alarm and Elevator connections. It is ranked the best turnkey POTS Replacement product available. Key wins and competitor replacements indicate a leadership position in this niche.

SPRINKLR: (CXM)

--CXM Q1 2025 Earnings Call reported 13% YOY Total Revenue growth, 82% Subscription Margins and reported several new high-profile logos landed continued growth in the number of \$1MM customers.

--Stock rose slightly at Earnings Call, but has since slipped 18% to the \$9.25 range. Likely due to reduced revenue guidance.

--Focus is now on Channels with their new Channel Chief and have focused Field and Inside Sales to support Channels.

--We have only a couple of contacts in their Channels, but they report renewed focus from CXM Sales.

As always, we are happy to discuss in more detail,

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