



CCC Intelligent Solutions Inc. (Nasdaq: CCCS)

1Q25 Earnings Call Transcript

May 6, 2025

BILL WARMINGTON, VP OF INVESTOR RELATIONS: Thank you, operator. Good morning and thank you all for joining us today to review CCC's first quarter 2025 financial results which we announced in the press release issued before the open of the market today. Joining me on the call are Githesh Ramamurthy, CCC's Chairman and CEO, and Brian Herb, CCC's CFO. The forward-looking statements we make today about the company's results and plans are subject to risks and uncertainties that may cause the actual results and the implementation of the company's plans to vary materially. These risks are discussed in the earnings releases available on our Investor Relations website and under the heading "Risk Factors" in our 2024 Annual Report on Form 10-K filed with the SEC.

Further, these comments and the Q&A that follows, are copyrighted today by CCC Intelligent Solutions Holdings Incorporated. Any recording, retransmission or reproduction or other use of the same, for profit or otherwise, without prior consent of CCC is prohibited and a violation of United States copyright and other laws. Additionally, while we will provide a transcript of portions of this call and we've approved the publishing of a transcript of this call by a third-party, we take no responsibility for inaccuracies that may appear in the transcripts.

Please note that the discussion on today's call includes certain non-GAAP financial measures as defined by the SEC. The company believes these non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to the company's financial condition and the results of operations. A reconciliation of GAAP to non-GAAP measures is available in our earnings release that is available on our Investor Relations website. Thank you.

And now, I'll turn the call over to Githesh.

GITHESH RAMAMURTHY, CHAIRMAN & CEO: Thank you, Bill, and thanks to all of you for joining us today. I'm pleased to report a solid start to 2025. CCC delivered another quarter of strong top- and bottom-line results, reflecting the predictability and profitability of our business. In the first quarter of 2025, CCC's total revenue was \$252 million – growing 11% year-over-year, exceeding our guidance range, and crossing the \$1 billion revenue run rate threshold for the first time. Adjusted EBITDA was \$99 million, also ahead of our guidance range, and adjusted EBITDA margin was 39%.



On today's call I would like to cover three themes. The first is how we help our clients manage complexity in an increasingly uncertain world. The second is how our clients are increasingly committing to CCC as their core long-term innovation platform. And the third is the continued progress and proof points in adoption of our newer solutions.

In terms of my first topic, you've heard me speak on prior calls about the many operational challenges that rising complexity poses for our customers. There are numerous examples of this, including growing vehicle complexity, labor and skill shortages, medical cost inflation, natural disasters, changing regulations, and more. Fundamentally, our solutions help our customers navigate these complexities so they can efficiently operate and grow their businesses and provide a seamless consumer experience.

We do this by leveraging real-time, hyperlocal data, a highly interconnected ecosystem, and deeply integrated, AI-powered workflows powering our customers' operations. We also maintain an intense focus on customer engagement so we can advise our customers on the latest trends.

A good illustration of this is the current macroeconomic environment. For example, while each customer is unique, they all share a common challenge in navigating the increased complexity arising from heightened volatility and uncertainty in vehicle and parts pricing and availability. Our recent client meetings show that there is an even greater intensity with which they are seeking tools, data, and insights to help them effectively manage these rapidly changing variables that impact their near and long-term decisions and operations. We believe CCC is uniquely able to deliver this support.

That starts by providing visibility to real-time, hyper-local data on fluctuating prices, parts availability, used vehicle values, and many other decision inputs – across the entire country and even down to a single claim. Using that intelligence, customers can use our platform to rapidly and flexibly shift their operations with their partners in the CCC ecosystem staying in sync. And they can do this in-line with their existing systems and operations, with AI-enabled workflows driving increased efficiency and productivity so they can stay ahead of the curve. And through our unique, industry-wide benchmarking data, they can make sure they really are.

This dynamic creates a virtuous cycle where increased customer collaboration drives demand for additional solutions, and is just one example of how we are helping our customers navigate the increasing complexity in the insurance economy. Another is the ongoing economic sensitivity of the US consumer and the cumulative impact of inflation, which has contributed to a more than 50% increase in auto insurance premiums since March of 2020.

Across multiple dimensions, we have seen consumers seek to lower their costs and avoid potential future rate increases. They are raising deductibles and reducing coverage.



Smaller claims are going unfiled and insurance shopping is up. This puts even more pressure on insurers and repairers to deliver a modern, best-in-class customer experience but also creates the risk of unrelated prior damage showing up in future claims and repairs – both areas that we believe CCC is uniquely positioned to address.

These factors, combined with falling consumer confidence overall, contributed to a continued decline in filed auto physical damage, or APD, claims in Q1, down 9% year over year. As Brian will discuss shortly, we expect this dynamic to keep claim volumes under pressure for the remainder of 2025. While this will have a modest near-term impact on our revenue, we have seen this pattern of up-and-down fluctuation followed by normalization play out in various forms over the past two decades.

My second theme is how our clients are increasingly committing to CCC as their core long-term innovation platform. This is leading to continued strength and growth opportunities in our established solutions.

For multiple decades we have invested ahead of the technology curve to drive innovation in our market-leading solutions. Our core established products deliver proven, bottom-line results that customers rely on as the basis for their claims and repair operations. These solutions have significant whitespace for growth and, importantly, form a seamless, highly scalable foundation for our emerging products. Clients are increasingly underscoring their trust in CCC as their long-term innovation platform because of the strength of our established solutions and the gateway they provide to additional, next generation capabilities.

The renewal and expansion of our long-term contract with Caliber Collision last month is a good example of our strategic role within the auto insurance economy and how our core established solutions continue to create growth opportunities for both CCC and our clients. Since its founding in 1997, Caliber has been very forward-thinking in its application of new technologies and was an early adopter of CCC's workflow and direct repair solutions. Caliber is the largest multi-store operator in the United States, with over 1,800 locations across 41 states, and on a strong growth trajectory. Caliber has been a terrific partner and we are excited to provide them with additional capabilities to support their future growth. In addition to extending their overall use of the CCC ONE platform, Caliber will also be adding CCC Diagnostics Workflow and CCC Build Sheets to help streamline operations and enhance services across its repair facilities.

In Q1 we also signed a large new account: an OEM with a captive insurance business and a leading market position in EVs. It's important to note that this new relationship is with both the insurance and the collision repair sides of the business, reflecting the value of our multi-sided network. We think this OEM's decision to embrace CCC as its long-term innovation platform by rolling out our core solutions is significant because it is a proof point that new, disruptive business models are choosing to partner with us due to the strength and



functionality of the CCC platform. In addition to the use of our tools in its captive insurance operation, this OEM also has several hundred repair facilities in its certified repair program.

We believe the Caliber renewal and the OEM win demonstrate the continued foundational value of CCC's solutions for leading industry players and the long runway for growth of our core solutions in our existing markets. Within insurance overall, we completed multiple renewals and expansions with existing clients in auto physical damage, along with multiple new contracts and renewals in casualty in the first quarter.

We continue to believe Casualty is one of our biggest growth opportunities with the potential to be multiple times its current size over time, possibly as large – or even larger – than our current insurance APD business. Casualty costs are climbing across the board and outpacing general healthcare costs, due to notable increases in outpatient surgeries and diagnostic procedures such as CT scans and MRIs. Our platform, as well as the insights and connectivity to the physical damage side of the accident that only CCC can deliver, provide unique capabilities to help our customers manage these complexities.

We also continue to see durable expansion and growth in our automotive business, as we continue to add new repair facilities and expand the depth of our CCC ONE cross-sell. The volume of electronic parts ordering through CCC ONE is also continuing to rise, with 10% year-over-year growth in the first quarter, with a significant remaining portion of order volume yet to be converted.

My third theme is the continued progress and proof points in the adoption of our new solutions. In addition to strong ongoing demand for our Established Solutions, we continue to see solid demand and progress in the adoption of our newer solutions that reinforces our confidence in the market opportunity for these products. We have multiple top-20 insurers seeing significant improvements in their operating efficiency using our Intelligent APD Suite and also have multiple top 20 insurers starting to generate revenue using our AI-powered subrogation solution.

Now moving to EvolutionIQ, the integration of our newest AI-powered business, is going well. When we announced the acquisition in December, a key part of our investment thesis was the opportunity to add EvolutionIQ's AI-powered injury claims resolution capabilities to our auto casualty suite, positioning us to build on our already-strong momentum in Casualty. Last week, due to the tremendous dedication and collaboration of our teams since the acquisition, we were pleased to announce the faster-than-expected introduction of Medhub for auto casualty, which we plan to launch in the third quarter. Medhub will be integrated into CCC's Casualty suite of solutions with the aim of providing faster, better informed claims decisions and is the first of several planned innovations with EvolutionIQ.

Medhub is EvolutionIQ's AI-powered medical synthesis technology that is able to help claims professionals make sense of complex medical documentation. Medhub has built an



impressive track record of success in other lines of insurance, with customers reporting more efficient review processes, more accurate summarization output, and better targeted use of specialists on claims.

AI-powered medical records synthesis is particularly well suited to third-party casualty because casualty insurers typically receive a large demand package including hundreds or even thousands of pages with continuous updates. And a given claim professional may be juggling hundreds of such claims. We believe that by leveraging EvolutionIQ's AI-based technologies in medical summarization and, in the future, best next action recommendation engine, we can deliver a step-change impact in Casualty the way we have in auto physical damage and EvolutionIQ has in disability.

EvolutionIQ continues to see strong momentum in its core disability business and is also seeing robust adoption of its Workers Compensation suite. 7 of the top 10 workers Compensation P&C insurers are existing CCC auto clients and we believe those existing relationships, combined with the bottom-line results EvolutionIQ's workers comp customers are experiencing, provide another large and attractive runway for growth.

Let me conclude by saying that we are excited about the opportunity to help our clients navigate the rising complexity in their business and by their growing commitment to CCC as their core innovation platform for Established and Emerging Solutions. We remain confident that the global insurance economy is still in the early stages of a generational digital upgrade cycle and that CCC is well-positioned to help our customers navigate this transition.

I will now turn the call over to Brian, who will walk you through our results in more detail.

BRIAN HERB, CHIEF FINANCIAL OFFICER: Thanks, Githesh. As Githesh highlighted, Q1 was a solid start to the year that included significant renewals, contract expansions, and new logo wins – reflecting positive momentum in the core business as well as our newer solutions. Now, let's turn to the numbers. . . I'd like to review our first quarter 2025 results and then provide guidance for the second quarter and the full year of 2025.

Total revenue in the first quarter was \$251.6 million, which is up 10.7% from the prior-year period.

In the first quarter of 2025, approximately 4 percentage points of our growth was driven by cross-sell, upsell, and adoption of solutions across our client base, including repair shop upgrades, the continued adoption of our Emerging Solutions, Casualty, and other ecosystem customers. Approximately 3 points of growth came from new logos – mostly from repair facilities and parts suppliers – and about 4 points of growth came from EvolutionIQ. In the quarter, contribution from Emerging Solutions is now rounding up to 2 points of growth, mainly driven from Diagnostics, Build Sheets, and Estimate – STP. Emerging Solutions represent about 4% of our total revenue in Q1 of 2025 and these



solutions continue to be the fastest-growing portion of our portfolio. This solid performance was despite approximately one percentage point of headwind from lower claim volumes in Q1.

Turning to our key metrics of software gross dollar retention or “GDR” and software net dollar retention or “NDR,” please note that both these metrics now include EvolutionIQ, we are using annualized software revenue on a combined basis for the prior year to provide a prior year baseline for annualized revenue growth.

GDR captures the amount of revenue retained from our client base compared to the prior-year period. In Q1 2025, our GDR was 99%, which is in line with the last 5 quarters. Note that since the first quarter 2020, our GDR has been between 98% and 99% and has either rounded up or down primarily driven by repair shop industry churn. We believe that GDR reflects the value we provide and the significant benefits that accrue to our customers from participating in the broader CCC network. Our strong GDR is a core tenet of our predictable and resilient revenue model.

NDR captures the amount of cross-sell and upsell from our existing customers compared to the prior-year period, as well as volume movements in our Auto Physical Damage client base. In Q1 2025 our NDR was 107%, up from 105% in Q4 2024. EvolutionIQ contributed almost two points to NDR this quarter.

Now, I’d like to turn to the income statement in more detail. As a reminder, unless otherwise noted, all metrics are non-GAAP. We provide a reconciliation of GAAP to non-GAAP metrics in our press release.

Adjusted gross profit in the quarter was \$192 million. Adjusted gross profit margin was 77%, which is up from 76% last quarter and down slightly from 78% in Q1 2024. The lower adjusted gross profit margin vs. Q1 of 2024 primarily reflects an increase in depreciation expense from capitalized projects recently put into service, partially offset by modest accretion from EvolutionIQ. Overall, we feel good about the operating leverage and the scalability of the business and our ability to deliver against our long-term adjusted gross profit margin target of 80%.

In terms of expenses, adjusted operating expense in Q1 2025 was \$107 million, which is up 15% year-over-year, primarily driven by resource-related costs, including the addition of EvolutionIQ. Excluding EvolutionIQ, adjusted operating expense was up 6% year-over-year. Adjusted EBITDA for the quarter was \$99 million, up 6% year-over-year with an adjusted EBITDA margin of 39%.

Now, turning to the balance sheet and cash flow. We ended the quarter with \$130 million in cash and cash equivalents, and about \$1 billion of debt. At the end of the quarter, our net leverage was 2.2 times adjusted EBITDA.



Free cash flow in Q1 was \$44 million compared to \$40 million in the prior-year period, which is up 10% year-over-year, including modest dilution related to transaction costs associated with the EvolutionIQ acquisition. Free cash flow on a trailing 12-month basis was \$235 million, which is up 9% year over year. Our trailing 12-month free cash flow margin as of Q1 2025 was 24%, consistent with Q1 of 2024. While our free cash flow level will vary quarter-to-quarter, we do expect it to trend up over time. As far as use of free cash flow, I did want to highlight that we repurchased 7 million shares of CCC stock for \$72 million in Q1 under our previously announced \$300 million share repurchase program.

I'll now cover guidance, beginning with Q2 2025. We expect revenue of \$255.5 million to \$257.5 million, which represents 10-to-11% growth year-over-year. We expect adjusted EBITDA of \$99 million to \$101 million, a 39% adjusted EBITDA margin at the midpoint.

For the full year 2025, we modestly reducing our full year outlook. We now expect total revenue of \$1.046 billion to \$1.056 billion – which is 11% year-over-year growth at the midpoint. We expect CCC's core revenue growth in the year to remain at the low-end of our long-term guidance of 7-to-10% and for EvolutionIQ to contribute between \$45 and 50 million in revenue in 2025, which is consistent with what we discussed when we announced the transaction back in December. For adjusted EBITDA, we expect \$420 million to \$428 million, a 40% adjusted EBITDA margin at the midpoint, which includes absorbing a moderate EBITDA loss from EvolutionIQ.

So, 3 points to keep in mind as you think about our Q2 and full year guidance for 2025.

The first point is that uncertainty in the current macroeconomic environment is creating two potential moderate, near-term headwinds for the business – one coming from claim volumes and the second client buying behavior. As Githesh mentioned in his remarks, we believe that consumer economic sensitivity is impacting auto insurance claim volumes. About 20% of our revenue is tied to claim volumes, though the direct revenue impact can vary depending on solution and client mix. From a sales perspective, we continue to see strong demand momentum in our solution set, as Githesh referenced earlier. At the same time, we believe the increased uncertainty related to the evolving macro environment makes it prudent to assume that sales and implementation cycles in 2025 may be longer than initially expected. The combination of these two factors has led us to reduce our 2025 revenue growth guidance by about one percentage point.

The second point is that we have raised our full-year 2025 adjusted EBITDA guidance midpoint from \$422 million to \$424 million, and increased our adjusted EBITDA margin guidance from 39-to-40% to 40-to-41%. Excluding the approximately 200 basis point drag from EvolutionIQ margin, expansion for CCC is tracking toward our year-over-year target of 100 basis points. We are focused on investing in innovation and also driving operational efficiency that will drive margin progression over time as we continue to feel good about our long-term margin targets.



The third point is stock-based compensation. In Q1, stock-based compensation was 24% of revenue. Let's unpack that figure. There are 3 component parts of it.

The first is CCC vesting shares which are expected to be 12% for the year (coming down from 18% in 2024).

The second is new shares grants to EvolutionIQ as part of the transaction. We believe this grant was important strategically for retention and alignment in creating long-term value for CCC's shareholders. For the year, this is 3% of revenue. These 2 items make up the 15% stock-based comp as a percent of revenue for full-year 2025 that we highlighted on our last call.

The third component relates to acquisition consideration. Some of the equity from the transaction for key EvolutionIQ management is on a vesting schedule linked to employment over a 2-year period. Within this structure, a portion of the equity is being treated as compensation and not purchase price. As a result, purchase price is \$46 million lower than we previously talked about and share-based comp is \$46 million higher, which increases share-based comp as a percent of revenue by 2 points per year for the next 2 years. This takes the full-year position for 2025 to approximately 17%. The phasing of this 17% is front-loaded, with a peak of 24% in Q1 and then it moderates throughout the year and reaching the low-teens by the end of the year.

While the current macro-economic environment is creating near-term uncertainties, we believe that it ultimately reinforces how we can assist our customers with their digital transformation and AI-based solutions. As we help our clients navigate these complexities, we remain confident in our business model and our ability to deliver against our long-term strategic priorities and to create long-term value for both our customers and our shareholders.

With that, operator, we're ready to take questions. Thank you.

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