



CCC Intelligent Solutions Inc. (Nasdaq: CCCS)

4Q24 Earnings Call Transcript

February 25, 2025

BILL WARMINGTON, VP OF INVESTOR RELATIONS: Thank you, operator. Good afternoon and thank you all for joining us today to review CCC's fourth quarter and full year 2024 financial results which we announced in the press release issued following the close 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 later today.

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 that CCC delivered another quarter of strong top and bottom-line performance to complete another record year in 2024.

For the fourth quarter of 2024, CCC's total revenue was \$246 million, up 8% year-over-year and at the high end of our guidance range. Adjusted EBITDA for the fourth quarter was \$106 million – ahead of our guidance range – and adjusted EBITDA margin was 43%.



Looking at the full year 2024, revenue was \$945 million, up 9% year-over-year. Adjusted EBITDA was \$397 million, up 12% year-over-year, with an adjusted EBITDA margin of 42%, up about 130 basis points year-over-year. This solid financial performance reflects our durable business model and the ability to balance margin expansion with investments in innovation that help position CCC for our next phases of growth.

In 2024 we also made significant progress in strengthening and expanding the scope of the CCC network, with several key renewals and new customer additions, including the onboarding of over 1,000 new collision repair facilities to our platform. We also continued to grow our industry-leading partner ecosystem and now have over 200 active technology and service providers in our network.

Our leadership in product innovation and AI also continued to advance in 2024, with the launch of several new solutions as well as our IX Cloud event-based architecture, and with our AI now in production at over 100 insurers and over 10,000 collision repairers. We took that a step further through our acquisition of EvolutionIQ, a fantastic business which expanded our addressable markets into disability and workers compensation while also deepening and strengthening our AI and casualty capabilities.

As we look to 2025 and beyond, we continue to be incredibly excited about the numerous growth opportunities ahead of us, which I will cover in 3 topics.

The first is our conviction in the digitization of the insurance economy and the transformational impact we believe it will have on the industry. The second is the real-world results customers are seeing from our most recent innovations. And third is the actions we are taking to accelerate our customers' journey along this transformation, which we believe will also accelerate CCC's growth.

Now let me start with my first topic: We believe the multi-trillion-dollar insurance economy is in the early innings of digital transformation and CCC is well-positioned to be our customers' partner of choice for that transformation. Our clients continue to face significant operational challenges as the many forms of complexity they deal with continue their persistent rise – vehicle technology, labor shortages and skill gaps, medical treatments, natural disasters, data proliferation, changing regulations, and much more. These inflationary pressures have driven record premium increases in recent years, and are also extending claims and repair cycle times. In my conversations with customers, whether with management teams or boards of directors, they are increasingly describing these trends as unsustainable within their current operations and as a result are increasingly determined to deploy AI-driven transformation across their businesses.

We believe the fusion of our industry-leading AI, deep, multi-sided network, and our scalable, multi-tenant platform positions us as the partner of choice for this digital transformation and for more and more of a claim and repair's lifecycle to be processed using



CCC solutions over time. And with the depth and breadth of investments we have already made across our product portfolio, we are ready to help our customers achieve this level of end-to-end transformation.

For auto insurers, that means helping them all the way upfront at First Notice of Loss as they work to accurately and efficiently triage a claim and then helping them navigate the many downstream steps from vehicle appraisal to injury resolution and even subrogation. For collision repairers, it means first helping them to drive business by optimizing their web presence or by collaborating with insurers and then supporting them through the entire repair process including accessing repair procedures, scheduling technicians, ordering parts – and we can even support the business office in processing payroll and other tasks through integrations into our partner ecosystem. Fully unlocking the value of these capabilities requires a holistic approach to transformation, which we are seeing customers increasingly embrace so they can build and deploy the intelligent experiences that matter most to them.

Intelligent Experiences are to us the next phase in tech-enabled business transformation. It means using rich data and state-of-the-art AI to identify the best outcome for a given claim or repair based on customer-specific configurations and then making that happen by connecting the many different participants across the ecosystem who are involved in resolving that event. With industry professionals facing ever higher demands, with an all-around increase in complexity, helping them identify and implement the next best action for their work, and doing that at scale, is going to become a defining feature of AI-enabled vertical software.

EvolutionIQ pioneered the use of AI-enabled claims guidance in disability and workers comp, and by delivering proven results has been growing rapidly with multi-million-dollar annual contracts from many of the largest insurers in the United States. By helping claims professionals identify the highest value task to do next, from among hundreds of possible tasks, they are bringing the future of AI-guided next best actions to life. The nature of this transformational impact is very clear from my meetings with the leadership of EvolutionIQ customers.

The addition of EvolutionIQ to our portfolio continues CCC's track record of delivering tangible, real-world impact from AI through an attractive and highly scalable economic model. We believe the digitization of the insurance economy through intelligent experiences is inevitable, and while the exact progression is hard to predict, we expect it to provide CCC with many years of growth.

This brings me to my second topic, which is the real-world ROI clients are realizing from our newer solutions as they make this transition.



Throughout our history, success has always been driven by reference-level products that deliver a high and demonstrable ROI, with results from early launch customers setting the path for wider adoption across our customer base. And we are now consistently seeing this ROI play out in our priority areas of growth.

Within our insurance auto physical damage, or APD, business, customers are realizing tremendous benefits from the capabilities in our Intelligent APD suite, a set of AI-enabled solutions that dramatically improves effectiveness and efficiency in APD claims handling and resolution. Many of these solutions leverage proven computer vision AI to extract insights from photos and then deploy those insights across customer and partner workflows. This includes helping insurance appraisers prepare a vehicle damage estimate that is on average 30% less time than before, to more rapidly identify a potential total loss regardless of where that vehicle is located.

Making that total loss determination as early as possible can eliminate hundreds of dollars in avoidable rental, storage, and other charges, while also greatly improving a carrier's customer and employee experience. Today it takes an insurer about 13 days on average to make that total loss determination, and by using the capabilities in our Intelligent APD suite one national insurer has seen a 30% lift in early total loss identifications with an average reduction of 3-7 days in cycle time for vehicles located within their direct repair program.

Our Casualty and subrogation solutions are also driving significant real-world ROI for our clients. In Casualty, innovations in our third-party bill review solution delivered an almost 40% increase in identified improvements for a top 10 insurer last year, and in subrogation our AI-enabled inbound solution has enabled some carriers to settle more than 40% of demands the same day they receive them, vs. days or weeks traditionally. We now have over 20 insurers using one of our subrogation solutions, including multiple in the top 20.

Priority growth areas in our Automotive business are also delivering substantial benefits to repair facilities, along with the broader ecosystem of auto manufacturers, dealers, parts suppliers, and other partners they do business with.

Several of our newer repair facility solutions improve shop productivity by standardizing operating procedures and streamlining manual tasks. For example, our recent introduction of build sheets leverages as-manufactured vehicle data to quickly identify the exact part that should be used in a repair. With so many vehicle trims and options to choose from, this data can filter the choices, for say a headlamp, from dozens down to one. In addition to saving time during the estimating process, real-world results show another benefit – reduced part returns from ordering the wrong parts. Part returns for customers using this solution are 25% lower by quantity and more than 50% lower by dollar value. Customers of the solution are also seeing higher customer satisfaction scores, as improved accuracy in parts selection upfront improves cycle time along with other aspects of the customer experience.



The clear and demonstrable value of this solution has led to rapid adoption, with thousands of repair facilities now using it despite being in market for less than a year.

We are also delivering real-world ROI impact to companies in the broader automotive ecosystem that do business with our repair facility customers. For example, parts suppliers continue to see strong results from their integration into CCC ONE, because it allows repair facilities to electronically order parts in the operating system they use every day. In fact, the efficiencies are so significant that one major OEM recently decided to use our parts solution as their exclusive platform for managing promotional part sales to collision repair facilities. They are the second OEM to do so.

We also continue to integrate new diagnostics providers into CCC ONE, reducing the administrative burden on shops in managing and performing diagnostics-related tasks. This benefits the repair facility, diagnostics provider, and in many cases also the insurer and OEM, and we now have about 20% of repair facility customers taking advantage of this functionality.

As I said earlier, EvolutionIQ is also delivering substantial – in some cases multi point combined ratio – impact to its clients, and because of those results clients are excited to do more. Since announcing the acquisition two months ago, I have seen from my own personal meetings with both EvolutionIQ and CCC clients that their reaction has been overwhelmingly positive, a sentiment that has also been reinforced in day-to-day customer interactions with our account teams. We see tremendous opportunity in EvolutionIQ's core disability and workers comp markets, and EvolutionIQ's capabilities, including medical document summarization, are also highly complementary to our existing Casualty business, which is one of our largest growth opportunities and also one of our fastest-growing product lines overall.

Across our portfolio, the ROI from our newer solutions is generating strong demand and a robust customer pipeline, with emerging products collectively representing the fastest-growing part of our portfolio. This gives us confidence in the market opportunity for these solutions and as a result focusing more on accelerating their revenue velocity in 2025 and beyond.

This brings me to my third topic, which is a set of actions we have taken to help our customers more rapidly adopt our new solutions and accelerate their transformation journeys as we head into 2025.

I will start with technology and last year's introduction of the CCC Intelligent Experience Cloud™. As you have heard me describe before, IX Cloud is an overlay that sits on top of CCC's existing cloud applications, customer workflows, and customer and partner systems. It is essentially a distribution system that is able to handle our AI-enabled workflows and massive amounts of data from multiple sources in real time. IX Cloud employs an event-



driven architecture, which means it uses a managed publish-and-subscribe model that enables companies to set up notifications for relevant business events and configure actions based on those events using AI.

This architecture is designed to make it faster and easier for customers to deploy new CCC solutions and it also increases the number of ways customers can use multiple CCC solutions together. There is minimal effort to leverage the new architecture and there is no additional cost to the client. We are already seeing benefits from this approach with customers, and we anticipate it becoming an even more important catalyst moving forward.

We have also taken several steps to streamline and upgrade our go-to-market activities and customer support.

The first of these initiatives has been the rollout of new insurance packages that better align existing and new solutions within and across our solution sets. For example, we have found that many customers prefer to buy a complete “Intelligent APD” solution suite to maximize cross-product synergies and also streamline their internal rollouts. In many cases, these new packages are also improving adoption of our existing solutions, as in the case of a recent top 20 insurer who not only contracted for new solutions as part of their multi-year renewal, but also added several established solutions as part of migrating to a more holistic, package-based offering. We are employing this approach for all new and renewal insurance contracts in 2025.

I have also spoken in recent quarters about the impact of change management on the adoption and ramp up of our newer solutions, and we are making changes to improve our support for customers in this area as well. CCC has always been a deeply trusted partner to our customers, and a key part of this has been our support for implementation and change management at a very granular level. But we have found that the change management support needed for our newer solutions can sometimes be different in important ways.

First, the productivity impact of our newer solutions often does not just warrant a customer streamlining their operations but, instead, transforming them altogether. For example, our AI-enabled subrogation solution has led some insurers to consider realigning their entire subrogation operation, which demonstrates the value of the solution but also requires a different duration and form of support than if we were helping an insurer migrate an existing process.

Second, we have also seen variations in how quickly customers will scale a new solution across their operations. For example, while paid volume on Estimate-STP, a component of our Intelligent Estimating solution, is still just 4% of our annual claims overall, we announced in 2024 that a top 10 insurer was on track to process 20% of their repairable claims on a run-rate basis using this product. By replicating the learnings from that initiative, we are helping



other carriers set similar goals. And that first insurer that was on track to process 20%? They feel very good about their results.

As a hypergrowth AI startup, EvolutionIQ has been particularly effective at providing AI-specific change management support to its customers. During my visits with EvolutionIQ's clients, they told me directly how important these change management capabilities have been for them to get results and we are already starting to incorporate these approaches more broadly across CCC.

Lastly, we have taken steps to realign our customer-facing functions so we can be better partners in accelerating our customers' transformation journeys overall. Starting next month, all of CCC's market facing and service functions will operate under Tim Welsh, who will be joining us as President. Tim brings a wealth of experience to CCC, including 25 plus years of P&C and Life insurance leadership at McKinsey, where he served as a senior partner and member of McKinsey's board of directors. Tim has worked with many of the top insurers in the world and most recently Tim spent 7 years as Vice Chairman of Consumer and Business Banking at U.S. Bank. Tim has a deep understanding of the broader insurance economy as well as transformation, including a recent digital transformation of U.S. Bank's 20,000 plus employee retail banking system. I know Tim has followed CCC for a long time and is excited about the growth opportunities in front of us. We look forward to Tim helping our teams advise our customers on their own transformations and advancing the digitization of the entire insurance economy. Welcome Tim!

As we look ahead to 2025, 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. We are excited about the long-term growth potential this opportunity represents and look forward to supporting our customers and partners on this journey in the months and years ahead.

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.

2024 was a year of solid revenue growth, margin expansion, and free cash flow generation that reflects our ability to effectively balance between investment in our growth initiatives and ongoing margin discipline. It also highlights the strength of our durable business model. Now, as we turn to the numbers, I'd like to review our fourth quarter and fiscal year 2024 results and provide guidance for the first quarter and full year of 2025.

Total revenue for the fourth quarter was \$246.5 million, which is up 8% from the prior-year period. Total revenue for fiscal year 2024 was \$944.8 million, which was up 9% over 2023.



In the fourth quarter of 2024, approximately 5 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, and ongoing strength in Casualty and other ecosystem customers. Approximately 3 points of growth came from new logos – mostly from repair facilities and parts suppliers. About 1 point of growth in Q4 came from our Emerging Solutions, mainly Diagnostics, Build Sheets, and Estimate – STP. Run rate from Emerging Solutions overall was about 3% of total revenue in Q4 of 2024 and these solutions continue to be our fastest-growing portion of the portfolio.

Now, turning to our key metrics, software gross dollar retention or “GDR” captures the amount of revenue retained from our client base compared to the prior-year period. In Q4 2024, our GDR was 99%, which is in line with the last 4 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 our 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.

Software net dollar retention or “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 Q4 2024 our NDR was 105%, down modestly from 106% in Q3 2024.

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 \$188 million. Adjusted gross profit margin was 76%, which was down from 79% in Q4 2023. The lower adjusted gross profit margin primarily reflects 2 factors. The first is an increase in depreciation expense from capitalized projects recently put into service. The second is driven by mix, as we’ve seen faster growth from certain Casualty solutions that carry a lower margin profile. Overall, we feel good about the operating leverage and the scalability of the business model and our ability to deliver against our long-term adjusted gross profit margin target of 80%.

In terms of expenses, adjusted operating expense in Q4 2024 was \$95 million, which is up 4% year-over-year. Most of the \$4 million year-over-year expense growth was the result of lapping a one-time \$3 million insurance claim reimbursement in Q4 of 2023, which we highlighted last year. Adjusted EBITDA for the quarter was \$106 million, up 6% year-over-year with an adjusted EBITDA margin of 43%.

Now, turning to the balance sheet and cash flows. We ended the quarter with \$399 million in cash and cash equivalents, and \$776 million of debt. At the end of the quarter, our net



leverage was 0.9 times adjusted EBITDA. After the close of the acquisition of EvolutionIQ on January 6th, total debt outstanding was \$1.0 billion and net leverage approximately 2.0x adjusted EBITDA.

Free cash flow in Q4 was \$106 million compared to \$75 million in the prior-year period. Free cash flow on a trailing 12-month basis was \$231 million, which 18% up year-over-year. Our trailing 12-month free cash flow margin as of Q4 2024 was 24%, up from 23% in Q4 of 2023. While our free cash flow levels will vary quarter-to-quarter, we do expect it to trend up over time.

Before we turn the page on 2024, I wanted to say that it was a year of solid financial performance across multiple metrics. Revenue grew 9% organically, adjusted EBITDA margin expanded 130 basis points, FCF margin increased almost 200 basis points. And also on the capital markets front, our stock liquidity improved significantly as private equity ownership decreased from about 70% to just over 20%.

Now looking at 2025, I'll discuss guidance beginning in Q1 2025. We expect revenue of \$249.0 million to \$250.5 million, which represents 10% growth year-over-year at the midpoint. We expect adjusted EBITDA of \$92.5 million to \$94.0 million, a 37% adjusted EBITDA margin at the midpoint.

For the full year 2025, we expect total revenue of \$1.055 billion to \$1.065 billion – which is a 12% year-over-year growth at the midpoint. We expect EvolutionIQ to contribute \$45-50 million in 2025, as we discussed back in December when we announced the deal. For adjusted EBITDA, we expect \$417 million to \$427 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 Q1 and full year guide for 2025.

The first point, as Githesh mentioned, is that the actions we are taking give us confidence in our ability to help our customers advance more rapidly on their digital transformations. As we experienced in 2024 and not unique to launching new solutions, the timing of adoption can be hard to predict as new solutions take time to roll out, gain adoption, and scale. For that reason, we are assuming growth excluding EvolutionIQ in 2025 remains towards the lower end of our 7-10% long-term range and that Emerging Solutions continue to contribute about 1point of growth.

The second point is that EvolutionIQ is a high-growth business, so we are expecting that revenue contribution from EvolutionIQ to increase as 2025 progresses and the business continues to scale. We also expect EvolutionIQ's EBITDA loss will moderate as we go through the year based on front loading of integration efforts and scaling of revenue.



The third point is that adjusted EBITDA margins should be up about 75 bps year over year to about 43% excluding EvolutionIQ. On a reported basis, which includes the dilution from EvolutionIQ, full year 2025 adjusted EBITDA margins will be down about 200 bps at the midpoint, to roughly 40%. We do expect margins to improve from the initial Q1 guide throughout the year and continue expansion on a full year basis in 2026 and beyond.

One additional comment. Before our acquisition of EvolutionIQ we were on track to reduce stock-based compensation as a percent of revenue from 18% in Q4 of 2024 to roughly 12% in 2025. As I mentioned on the EvolutionIQ call in December, we will be absorbing about 3 points of stock-based compensation for a total of about 15% of revenue in 2025, the impact of which will be front-end loaded. We believe the grants for EvolutionIQ were important for alignment and retention of our new team members. We expect share-based comp as a % of revenue to decline from that 15% level beginning in 2026.

So, as we wrap up, I would like to reiterate our confidence in our ability to deliver against our long-term revenue growth and adjusted EBITDA margin targets. We believe that our durable business model, multi-sided network, and growing portfolio of AI-enabled solutions will enable us to continue to execute on our strategic priorities and generate significant value for both our customers and our shareholders.

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

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