

TechFlow Solutions Inc.

Q3 2024 Quarterly Financial Update

To Our Valued Shareholders,

We are pleased to share our third quarter 2024 results, which demonstrate continued momentum across our key business segments and reinforce our confidence in our strategic direction.

Financial Highlights

Revenue Performance

- Total Revenue:** \$847.3M (+12.4% YoY, +3.8% QoQ)
- Recurring Revenue:** \$623.1M (+18.7% YoY, representing 73.5% of total revenue)
- International Revenue:** \$296.8M (+22.1% YoY, 35.0% of total revenue)

Profitability Metrics

- Gross Margin:** 68.2% (vs. 65.1% in Q3 2023)
- Adjusted EBITDA:** \$203.4M (+15.8% YoY, 24.0% margin)
- Net Income:** \$127.8M (+19.3% YoY)
- Diluted EPS:** \$2.14 (vs. \$1.79 in Q3 2023)

Balance Sheet & Cash Flow

- Operating Cash Flow:** \$198.7M (+8.4% YoY)
- Free Cash Flow:** \$156.2M (+11.2% YoY)
- Cash and Short-term Investments:** \$892.4M
- Total Debt:** \$324.7M (Net debt-to-EBITDA: 0.4x)

Operational KPIs

Customer Metrics

- Active Customers:** 47,832 (+2,847 net additions in Q3)
- Customer Retention Rate:** 94.3% (vs. 92.8% in Q3 2023)
- Average Revenue Per User (ARPU):** \$4,421 (+7.8% YoY)
- Net Revenue Retention:** 112% (enterprise segment: 118%)

Operational Efficiency

- **Customer Acquisition Cost (CAC):** \$1,247 (improved from \$1,384 in Q2)
 - **CAC Payback Period:** 11.2 months (vs. 13.1 months in Q3 2023)
 - **Lifetime Value to CAC Ratio:** 4.2x
 - **Employee Productivity (Revenue per FTE):** \$387k (+9.2% YoY)
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Strategic Progress & Key Achievements

Product Innovation Our R&D investments continue to drive competitive differentiation. This quarter, we launched our AI-powered analytics suite, which has been adopted by 78% of our enterprise customers within 60 days. Early indicators show this enhancement is driving a 15% increase in user engagement and contributing to improved retention metrics.

Market Expansion International operations delivered exceptional growth, with our European segment achieving 28% year-over-year revenue growth. The successful integration of our Frankfurt data center has reduced latency by 35% for EMEA customers and enabled compliance with expanded data residency requirements.

Operational Excellence We achieved significant operational leverage this quarter, with revenue growing 12.4% while operating expenses increased only 6.8%. Our ongoing automation initiatives have improved processing efficiency by 23% compared to the prior year, directly contributing to margin expansion.

Partnership Ecosystem Strategic partnerships continue to accelerate growth, contributing \$89.4M in revenue this quarter (+34% YoY). Our expanded integration with leading CRM platforms has opened new customer acquisition channels and enhanced our value proposition.

Market Outlook & Guidance

The macroeconomic environment remains dynamic, but we continue to see strong demand fundamentals in our core markets. Enterprise digital transformation initiatives are accelerating, particularly in AI and automation, which aligns well with our product roadmap.

Q4 2024 Guidance:

- Revenue: \$875M - \$895M (+10% to +13% YoY)
- Adjusted EBITDA Margin: 23.5% - 24.5%

- Free Cash Flow: \$165M - \$175M

Full Year 2024 Guidance (Raised):

- Revenue: \$3.31B - \$3.33B (+13% to +14% YoY)
- Adjusted EBITDA Margin: 23.8% - 24.2%
- Free Cash Flow: \$615M - \$635M

Capital Allocation & Shareholder Returns

We remain committed to balanced capital allocation that supports long-term growth while returning value to shareholders. This quarter, we:

- Repurchased \$45M of common stock under our \$200M authorization program
- Declared a quarterly dividend of \$0.28 per share, representing a 12% increase from the prior year
- Invested \$67M in strategic initiatives, including AI capabilities and international expansion

Looking Ahead

As we enter Q4, we remain focused on executing our strategic priorities: accelerating product innovation, expanding our international presence, and driving operational efficiency. The strong momentum in our recurring revenue base, coupled with healthy customer acquisition and retention metrics, positions us well for continued growth.

We appreciate your continued confidence in TechFlow Solutions and look forward to updating you on our progress next quarter.

Sincerely,

Sarah Chen

Chief Executive Officer

Michael Rodriguez

Chief Financial Officer

This letter contains forward-looking statements subject to risks and uncertainties. Please refer to our SEC filings for important disclaimers and risk factors.

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Next Earnings Call:

November 2, 2024 at 4:30 PM ET