CCC Intelligent Solutions Inc. (Nasdaq: CCCS)

2Q25 Earnings Call Transcript

July 31, 2025

BILL WARMINGTON, VP OF INVESTOR RELATIONS: Thank you, operator. Good afternoon and thank you all for joining us today to review CCC's second quarter 2025 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.

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 results, reflecting the predictability and profitability of our business. In the second quarter of 2025, CCC total revenue was $260 million – growing 12% year-over-year, exceeding our guidance range. Adjusted EBITDA was $108 million, also ahead of our guidance range, and adjusted EBITDA margin was 42%.

On today's call I would like to cover three themes. The first is the growing success we are having with larger customers in expanding their adoption of our solutions. The second is our continued focus on balancing operating efficiency and investment in innovation. And the third is the power of combining our interconnected network with our unique data and AI-enabled solutions.

In terms of my first topic, as you know, customers, particularly our largest and most technologically sophisticated ones, undergo lengthy testing and piloting phases when considering new products. This process is critical in validating customer-specific ROI, identifying internal process improvements that can be made as a result of these new solutions, and driving alignment across a company's operations. In the second quarter, we began to see early evidence of more of our largest customers progressing past this pilot phase into broader rollouts of our solutions across their businesses.

Let's start with Emerging Solutions. In Q2, several top-10 insurers contracted for multiple AI-enabled auto physical damage or "APD" solutions that extend our photo-AI capabilities beyond estimating to include earlier stages of claim handling as well as later stages such as audit and review. These solutions have, for example, cut the time to identify a total loss in half, resulting in millions of dollars of annual impact – with the potential to improve that time and impact even further. This is a win-win-win: insurers avoid unnecessary fees, repair facilities free up bays for repairable vehicles, and consumers get faster and more satisfying claims resolution.

Another example comes from a client – a top-10 insurer – who contracted for this same solution in Q2 after seeing a significant increase in operating efficiency from consumers using the solution's self-service features to document damage, select a repair facility, and schedule an appointment.

A third example is the use of AI to streamline the back-and-forth between insurers and repair facilities over changes to repair estimates, known as "supplements." Over 60% of estimates now have a supplement, or in many cases multiple supplements – a by-product of the growing complexity in our industry – so this is a major pain point for both insurers and repairers. Our AI-based solution can help expedite this process and in some cases auto-approve these changes per an insurer's guidelines, significantly reducing cycle time and manual effort. In Q2, a top-5 insurer converted from a limited pilot to a full rollout for this solution as well.

Our AI-based Subrogation solution is yet another example of growing adoption across the insurance economy. As you have heard me discuss before, subrogation is often an expensive, paper-based, manual process that costs insurers more than $2 billion annually to administer. We are seeing growing interest in our AI-based subrogation solution and we currently have 25 customers on our Subrogation platform, including multiple top-10 insurers on phased production agreements.

This group also includes a top-20 insurer, who after a lengthy trial period entered into a long-term agreement with us in Q2 for 2 key reasons: the first was an attractive 6:1 ROI driven by a combination of efficiency and accuracy – processing demand packages now literally take minutes or hours vs. days and weeks previously. The second reason was the increase in productivity of employees using our tools. Our solutions are intuitive to learn, easy to use, and help identify important information quickly, which is especially valuable to insurers as the retirements of experienced workforce means more new hires. With CCC's AI-based Subrogation tools, this insurer saw a significant acceleration in speed-to-competency in less experienced workers, futureproofing them as their workforce evolves.

The decision in Q2 by multiple large insurers to contract with us for our AI-based APD solutions underscores the growing market momentum for these tools and strengthens our belief in the long-term growth trajectory of our expanding portfolio of AI-based solutions.

We are also seeing strength in our Established Solutions like Casualty. While part of the CCC portfolio for more than a decade, over the last several years we've essentially rebuilt our Casualty offering by completely retooling the tech stack, bringing in new leadership, and investing heavily in new product development. With casualty-related claims costs rising faster than general healthcare costs, customers are increasingly interested in our platform's ability to deliver large, tangible impact in this area.

Casualty is a significant growth opportunity for CCC with a very large white space available. While similar in total market opportunity to auto physical damage, or "APD", Casualty, today, only represents about 10% of our revenue and our customer count is one-fifth that of APD. The fact that our Casualty platform already powers several top-20 insurers, including multiple in the top-5, reflects the strength and quality of our offering. We continue to believe Casualty has the potential to be multiple times its current size and, over time, possibly as large or even larger than our current insurance APD business.

In Q2 we had contract renewals and expansions in Casualty with a top-10 and a top-20 insurer. In addition, the late April announcement about the integration of EvolutionIQ's AI-powered medical record synthesis solution, Medhub, into CCC's casualty suite is generating positive engagement with our auto insurance customers in that solution. We also have strong interest in our next planned expansion of EvolutionIQ's capabilities into auto, which is claims guidance, with many customers asking to evaluate this solution as soon as it is ready.

EvolutionIQ continues to see solid momentum across its core disability and workers' compensation solutions. In Q2, EvolutionIQ renewed and expanded contracts with multiple top-15 disability insurers, including the addition of Medhub. EvolutionIQ has a strong and growing pipeline of top-20 P&C insurers for its workers compensation suite as well as Medhub Auto. We continue to view EvolutionIQ as a key strategic asset and a catalyst for cross-selling our Casualty Suite into our APD client base of over 300 insurers.

This positive momentum in adoption is not limited to our insurance clients. We are also seeing strong adoption by repair facilities of both our AI and non-AI-based solutions. And here too positive results from some of our largest customers give us confidence in the long-term potential of our newest offerings. For example, one of the leading multi-store operators or "MSOs" is already using our visual-AI based estimating solution, Mobile Jumpstart, to prepare over 95% of their estimates. We view this as a leading indicator for adoption in the industry and an example of how our most sophisticated clients are leveraging our AI-based tools to improve operating efficiency and setting the pace of innovation for the industry overall.

Another example is the continued adoption of Build Sheets, our accuracy-enhancing parts selection tool, which is now being used at over 5,000 repair facilities. This represents a nearly 20% penetration of our repair facility client base in just one year after launch in July of last year. And with Diagnostics, CCC continues to expand its coverage across diagnostics providers on the network, enabling repair facilities to work with more providers through an integrated workflow that streamlines administration and improves transparency.

While still early in the adoption cycle, we are encouraged by the success we've had in the second quarter in increasing customer usage of our newer solutions. We believe customers are just scratching the surface of deploying AI to increase efficiency and generate a durable competitive advantage in their business.

It will take time for these new contracts to materially contribute to revenue, but we expect that contribution to build as use cases expand and clients send more volume through these solutions. As we have seen in the past, our anchor customers set up the next wave of adoption – so the progress we saw in Q2 reinforces our confidence in our long-term growth opportunity.

My second theme is our continued focus on balancing operational efficiency and investment in innovation.

Our recurring subscription revenue model, single unified code base, scalable cloud infrastructure, and seasoned development capability combined with our efficient go-to-market model gives us a highly flexible and scalable business model. This enables us to continually invest in innovation throughout economic cycles. And our clients understand that a significant portion of the fees they pay us is reinvested into future innovation that ultimately benefits them.

In order to maintain this virtuous cycle, we are constantly focused on identifying new ways to improve CCC's operating efficiency. Over the past few years, we have made investments that have significantly improved the scalability of our business, including building out the IX Cloud architecture, streamlining our product development process, and driving synergies across our proprietary data sets.

More recently, like our customers, we are starting to see benefits from leveraging AI internally to help drive the next phase of CCC's operational efficiency. We're using AI to save time, reduce errors, and to do things faster and smarter – from helping to write code and protect systems to helping to hire the right people. CCC has always been at the forefront of AI, and we see these initiatives as a continuation of that trend.

These investments further strengthen the scalability of our business model and improve our ability to deliver better solutions to more customers faster, decreasing their time to value and increasing their ROI. All while continuing to increase our annual investments in innovation.

My third and final theme is the power of combining our interconnected network with our proprietary data and AI-enabled solutions. It is this combination that enables us to address our clients' current and future operational challenges – and the value of this combination was very evident to me at our recent customer conference in Frisco, Texas, a 3-day event that was attended by over 300 customers.

The foundation of our business is our interconnected network of over 35,000 businesses that we have built over the long term. One of my favorite parts of our customer conference is seeing this network in action at the Advisory Councils, which brings together about 100 senior executives from across the auto insurance ecosystem – including auto physical damage or "APD," and Casualty professionals, OEMs, subrogation teams, and repair facilities. These leaders convene to share operational challenges and offer feedback on CCC's solutions, which we use to help inform our R&D priorities and address their evolving needs.

What was clear from my interaction with clients during the conference was that the operational challenges you've heard me talk about in the past – rising complexity of vehicle technology, labor shortages, geopolitical uncertainty – continue to get more challenging – and our clients are looking to CCC to help them navigate this once-in-a-generation digital transformation of the auto insurance economy.

One example of the combination of our interconnected network and our AI-enabled solutions is the IX Cloud, our event-based architecture which enables the over 35,000 businesses on our network to set up and manage notifications for relevant business events and configure actions based on those events using AI. We expect the IX Cloud to facilitate a stair-step increase in connectivity across our network and to help create more continuity across the claims ecosystem. This will make the network faster and easier for customers to deploy new CCC solutions and for customers to use multiple CCC solutions together. As these solutions work together, their benefits are amplified.

We believe the combination of our industry-leading AI, scalable multi-tenant platform, and deep multi-sided network position us as the partner of choice for this digital transformation. Over time, we believe CCC solutions will be able to help manage an increasing portion of the life cycle of claims and repairs.

Before I finish, let me provide an update on our board of directors. I would like to welcome new independent board member, Barak Eilam. Barak is the former CEO of NICE Systems and has over 2 decades of experience in enterprise software, AI, and customer-engagement technologies. His proven ability to scale organizations and champion customer-centric innovation will be a great help in our next phase of growth

I also wish to thank Chris Egan of Advent International who stepped down from the Board earlier this year. We are all deeply grateful for Chris's guidance, leadership, and support since joining the board in 2017 as part of Advent's investment in CCC.

Let me conclude by reiterating the strength of our performance in the 2nd quarter and how we are positioned for success going forward. Every day our customers face the challenge of helping over 50,000 people affected by auto accidents. CCC plays a critical role in delivering continuous innovation that enables our customers to better serve their customers. We believe there is an enormous opportunity in front of us to help our customers reduce cycle times, increase operating efficiency, and improve consumer experience across the auto insurance economy.

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, Q2 was a strong quarter that included meaningful renewals and contract expansions – 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 second quarter 2025 results and then provide guidance for the third quarter and the full year of 2025.

Total revenue in the second quarter was $260.5 million, which is up 12.0% from the prior-year period.

In the second quarter of 2025, 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, 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 continued to expand, rounding to 2 points of growth, mainly driven by Diagnostics, Build Sheets, Estimate – STP and Subrogation. Emerging Solutions represented about 4 percentage points of our total revenue in Q2 of 2025 and these solutions continue to be the fastest-growing portion of our portfolio outside of EvolutionIQ. Industry claim volumes in Q2 declined 8% year-over-year – a slight improvement from Q1's 9% decline. The trend continues to represent approximately a one percentage point headwind to growth, consistent with the impact that we was in Q1. The headwind was largely offset by the phasing of revenue through timing of contract renewals.

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, and 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 Q2 2025, our GDR was 99%, which is in line with the last 6 quarters. 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 Q2 2025 our NDR was 107%, that's in-line with 107% in Q1 2025 and in Q2 2024. EvolutionIQ contributed approximately 1 point to NDR in the 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 $203 million. Adjusted gross profit margin was 78%, which is up from 77% last quarter and flat with Q2 2024. The flat adjusted gross profit margin vs. last year primarily reflects an increase in depreciation expense from capitalized projects recently put into service, which is offset by modest accretion from EvolutionIQ. Overall, we feel good about the leverage and scalability of the business and making progress toward our long-term target of 80% over time, but we will see the percentage move around a bit quarter-to-quarter.

In terms of expenses, adjusted operating expense in Q2 2025 was $108 million, which is up 13% year-over-year including the acquisition of EvolutionIQ. Excluding EvolutionIQ, adjusted operating expense declined 1% year-over-year, primarily driven by lower IT-related costs, partially offset by higher resource-related expenses.

Adjusted EBITDA for the quarter was $108 million, up 13% year-over-year with an adjusted EBITDA margin of 42%. This was above the high end of the range, which was $99-to-101 million, reflecting the revenue that flowed through in the quarter, an approximate $2 million one-time benefit associated with our exit from a vendor relationship, and the phasing of expenses.

Now, turning to the balance sheet and cash flow. We ended the quarter with $55 million in cash and cash equivalents and $996 million of debt. At the end of the quarter, our net leverage was 2.3 times adjusted EBITDA.

Free cash flow in Q2 was $27 million compared to $36 million in the prior-year period, which reflects timing of working capital as well as operating losses from EvolutionIQ. Free cash flow on a trailing 12-month basis was $226 million, which is up about 15% year over year. Our trailing 12-month free cash flow margin as of Q2 2025 was 23%, up from 22% in Q2 of 2024.

As far as our use of free cash flow, I do want to highlight that we completed open market repurchases of 11 million shares of CCC stock for $100 million in Q2. Year-to-date we have repurchased 18 million shares for about $172 million under our previously announced $300 million share repurchase program.

I'll now turn to guidance, beginning with Q3 2025. We expect revenue of $263 million to $266 million, which represents 10-to-12% growth year-over-year. We expect adjusted EBITDA of $104 million to $107 million, a 40% adjusted EBITDA margin at the midpoint.

For the full year 2025, we are maintaining our full year revenue and adjusted EBITDA positions. We expect revenue of $1.046 billion to $1.056 billion – which is 11% year-over-year growth at the midpoint and 12% at the high end of the range. For adjusted EBITDA, we expect $420 million to $428 million, a 40% adjusted EBITDA margin at the midpoint and 41% margin at the high end of the range, which includes absorbing a moderate EBITDA loss from EvolutionIQ.

So, 3 points to keep in mind as you think about our Q3 and the full year guide:

First, Core CCC is in line with our second half revenue guidance expectations that we previously discussed. The strength in Q2 was driven by the phasing of revenue and timing of a contract renewals that benefited the quarter but does not drive incremental impact to the second half of the year. We expect to come in at the lower end of our previous $45-50 million guide for EvolutionIQ due to delays in implementation on signed contracts moving to production, which is impacting the timing of revenue.

Second, we feel good about the full year adjusted EBITDA position, which delivers 100 bps of margin expansion excluding the impact of EvolutionIQ. Keep in mind that Q2 had a one-time benefit of $2 million related to an exit from a vendor relationship. We do expect second-half expenses to be higher than the first half driven by the phasing of hiring and some incremental professional services.

The third point is stock-based compensation. In Q2, stock-based compensation was 18% of revenue, which is down from 24% of revenue in Q1. We do expect share-based compensation as a percent of revenue to continue to trend down and reach high-single digits in 2027.

So as we wrap up, I would say that I am encouraged by the growing adoption of our newer solutions among largest clients – which is validating our role as a partner in their digital transformation. The momentum across Emerging Solutions continues to improve, strengthening our confidence in delivering against our long-term growth targets. I'm also proud of our disciplined balance between operating efficiency and investment in innovation – this is a cornerstone of our durable business model – which enables us to support our clients' evolution while also delivering long-term value to our shareholders. As a result, we remain confident in our strategy, the execution, and the ability to deliver sustainable growth.

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

* * *