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ULY.OQ - Q1 2025 Urgent.ly Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Jenny Mitchell** *Urgent.ly Inc - Investor Relations*

**Matthew Booth** *Urgent.ly Inc - President, Chief Executive Officer, Director*

**Timothy Huffmyer** *Urgent.ly Inc - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Christopher Pierce** *Needham & Company Inc. - Analyst*

**James Patrick McIlree** *Chardan Capital Markets LLC - Analyst*

## PRESENTATION

### Operator

Good afternoon, and welcome to Urgent.ly's first-quarter 2025 conference call. As a reminder, today's call is being recorded, and your participation implies consent to such recording. (Operator Instructions)

With that, I would like to turn the call over to Ms. Jenny Mitchell, Vice President of Finance, Strategy, and Investor Relations. You may proceed, ma'am.

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### Jenny Mitchell - Urgent.ly Inc - Investor Relations

Thank you, operator. Good afternoon, everyone, and thank you for joining us for Urgent.ly's financial results conference call for the first quarter ended March 31, 2025. On the call today, we have Urgent.ly's CEO, Matthew Booth; and CFO, Timothy Huffmyer. Following Matt and Tim's prepared remarks, we'll take your questions. Before we begin, I'd like to remind you that some of our comments today may contain forward-looking statements that are subject to risks, uncertainties, and assumptions, which could change.

Should any of these risks materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements. A description of these risks, uncertainties and assumptions and other factors that could affect our financial results is included in our SEC filings, including our most recent annual report on Form 10-K for the year ended December 31, 2024, our quarterly reports on Form 10-Q and other filings and reports that we may file from time to time with the SEC. Except as required by law, we do not undertake any responsibility to update these forward-looking statements. During today's call, we will also discuss certain non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in our earnings materials and press release.

which are available on our website at [investors.geturgently.com](https://investors.geturgently.com). A replay of today's call will also be posted on the website. With that, I'll now turn the call over to Matt.

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### Matthew Booth - Urgent.ly Inc - President, Chief Executive Officer, Director

Thanks, Jenny. Good afternoon, everyone, and thank you for joining us today. I'm very pleased with our performance during the first quarter, and I'm excited to provide an update on our recent progress. Across many key metrics, our first quarter performance was our best quarter as a public company to date. We delivered revenue of \$31.3 million, which was in line with our expectations and notably, our seventh consecutive quarter where we delivered on our revenue guidance commitment.

We achieved record gross margin of 25.5%, which is now within our midterm outlook for the 25% to 30% range that we established 18 months ago. It's an incredible achievement by the team to increase gross margin by 5.6 percentage points over that time. During the first quarter, we also made tremendous strides in reducing both non-GAAP operating expense and non-GAAP operating loss. I'm elated to report that our non-GAAP

operating loss for the quarter was approximately \$400,000, the best ever reported to date, and will be well below our guidance of \$1 million. Further, for the first time in our reporting history, Urgent.ly achieved non-GAAP operating breakeven during the month of March of this year.

While we do not report monthly numbers, we wanted to celebrate this important milestone as it demonstrates our continued and positive momentum and the significant progress we have made to date to deliver on our financial commitments. This is a remarkable achievement for Urgent.ly and a direct result of the tireless work from the management team and every single one of our employees. Sustaining non-GAAP operating loss breakeven and moving the company closer to cash flow positive will be an ongoing focus for us this year.

Now turning to growth. We expect to start reporting positive sequential revenue growth numbers in Q3 as new contracts come online and we finish cycling through our noncomparable quarters due to the Otonomo acquisition and other factors where we focused on unit economics and profitability over top-line revenue growth.

First, let me discuss our core revenue. Given the nature of our customer partner contracts, the average 3-year duration, and the length of the RFP process, a portion of our annual capacity and effort will always be dedicated to securing our revenue through renewals. With that, I'm happy to announce that we secured our first renewal for 2025 with one of our largest fleet management companies, which is the largest global fleet in terms of vehicles managed. This has been a great partnership for us over the years, and we look forward to continuing and expanding this relationship into the future. The second area of focus is working with our existing customer partner base to expand our services and offerings within an account.

This is where our product and technology team shines. Last year, we discussed some of the great innovations from our product and technology team, as previously mentioned, an important differentiator, specifically our dynamic pricing capabilities, which not only allow us to deliver a higher-end and differentiated VIP service, but this technology can also be optimized to combat pricing pressure. We continue to be well-positioned to service our fleet partners and their aging fleets. With our foothold in connected vehicle data, Urgent.ly can activate on predictive and preventative maintenance solutions to help our fleet partners maximize their vehicle uptime. Working together with our customer partners, we will work to drive value on our relationship by solving real pain points.

Recently, we worked together with one of our fleet management companies to define new processes and data gathering in the call center, which had a direct impact on reducing the number of their missing units, an unfortunate issue experienced by rental car companies. As another example, we are working with one of our OEM partners to offer an expanded network in their top markets to drive a measurable lift in their customer satisfaction scores.

We are having great outcomes from our VIP programs for our luxury OEM brands. These solutions have contributed to some of the highest customer satisfaction ratings we have seen, and we believe these efforts not only drive incremental revenue but further integrate Urgent.ly offerings and create stickiness within our customer partners. In addition, there are some new industry-specific dynamics that we believe will offer growth opportunities in other areas.

Today, most insurance providers currently have a single-source roadside solution, which we believe will change as insurance providers re-evaluate their contracts and partnerships. We believe that most of the single-source roadside contracts will have 2 providers in the future. The Champion Challenger model has shown to produce better results for partners. We expect this trend to start in the near term. We believe this shift could be a growth driver for Urgent.ly as we re-enter the insurance vertical as the dual source provider.

In support of this strategy, we have recently hired a new VP of Sales, who is targeting these mid-market insurance companies. He has 15 years of experience and relationships within this market segment. As for the rest of Urgent.ly, over the last 12 months, we've made significant progress in rightsizing our organization post our merger with Otonomo. We reduced our total headcount by 50% in the last 12 months and looked across all functions of the business to improve procedures and processes. As part of this process, we are also cultivating a culture where employees are encouraged to ask questions and propose ideas for improvement.

We believe we have a team in place that has the capacity to scale for growth and maintain Urgent.ly's standard of delivering exceptional service, visibility, and transparency to our customers. On that front, we are proud to have again achieved a customer service score of 4.6 out of 5 stars in Q1 2025. As we look ahead in 2025, our core priorities remain: one, return to growth by expanding our B2B incident business through securing

renewals, expanding relationships with existing partners and developing new customer partner opportunities; two, continuing to maintain non-GAAP operating breakeven through our operational improvements, margin expansion and managed growth; and three, transforming the market for roadside solutions with product innovations that differentiate Urgent.ly from our competitors and improve our margin and provide exceptional experiences for our customer partners and drivers. I am proud of the progress we have made this past quarter. The momentum is strong, and I look forward to the remainder of the year ahead.

Thank you for your time and continued support. I'll now turn the call over to Tim to discuss our financial results.

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**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

Thank you, Matt, and good afternoon, everyone. Today, I will discuss our results for the first quarter ended March 31, 2025. For the first quarter, revenues were \$31.3 million, which was within our guidance range of \$30 million to \$33 million and a decline of 22% or \$9 million from the same quarter last year. The year-over-year revenue decline was in line with our expectations and was primarily driven by the reduction in dispatch volume from the customer partner nonrenewal that we had previously announced in January of 2024 and a reduction of revenue due to the Otonomo business. This was partially offset by volume and rate increases from new and existing customer partners.

For the first quarter, gross profit was \$8 million, down \$1.4 million compared to the same period last year, again, driven primarily by the customer partner nonrenewal we previously mentioned. Gross margin for the first quarter was 25.5% compared to 23% for the same period last year. The increase in gross margin is primarily related to the mix of service dispatches and our continued technology optimizations, allowing us to better manage our service provider costs. We remain focused on executing against our strategic initiatives to drive profitable growth and continue to make steady progress to maintain our long-term gross margin target of 25% to 30%. Now let's move on to operating expenses.

Operating expenses for the first quarter were \$10.4 million, a decrease of \$7.3 million or an improvement of 41% from the same period last year. We are proud of this reduction, so let's break that down further. Research and development expenses during the first quarter of this year were \$2 million compared to \$4.2 million during the same period last year, resulting in a decrease of \$2.3 million or 54%. The decrease was mostly related to the reduction in the Otonomo-related research and development expenses. Sales and marketing expenses during the first quarter of this year were \$700,000 compared to \$2 million during the same period last year, resulting in a decrease of \$1.3 million or 65%.

The decrease was mostly related to the reduction in the Otonomo-related sales and marketing expenses. Operations and support costs during the first quarter of this year were \$2.4 million compared to \$4.3 million during the same period last year, resulting in a decrease of \$1.9 million or 44%. This decrease is mostly related to the continued optimization of customer support representatives and operational processes. General and administrative expenses during the first quarter of this year were \$4.4 million compared to \$6 million during the same period last year, resulting in a decrease of \$1.6 million or 27%. The decrease was mostly related to the reduction in the Otonomo-related general and administrative expenses, along with continued cost optimization.

We remain focused on driving operational improvements, which include continued optimization of business processes to drive operational efficiencies. We also reviewed non-GAAP operating expenses, which is defined as GAAP operating expenses plus depreciation and amortization expense, stock-based compensation expense, nonrecurring transaction costs, and restructuring costs. Non-GAAP operating expenses for the first quarter were \$8.4 million, an improvement of 42% from \$14.5 million in the prior period. This non-GAAP operating expense reduction is in line with our expectations and clearly shows the results of the operational efficiencies and leverage we've achieved. Overall, we remain focused on optimizing our operational structure to drive further improvements in this metric.

GAAP operating loss for the first quarter was \$2.4 million, a decrease of \$5.9 million or an improvement of 71% from the prior period. We also review non-GAAP operating loss, which is defined as GAAP operating loss plus depreciation and amortization expense, stock-based compensation expense, nonrecurring transaction costs, and restructuring costs. Non-GAAP operating loss for the first quarter was \$374,000, an improvement of 93% compared to \$5.1 million in the prior year period. Now, a few comments on the balance sheet. As of March 31, 2025, Urgent.ly had cash and cash equivalents of \$6.4 million and a net principal debt balance of \$56.7 million.

As we discussed during our fourth quarter earnings call in February, we completed our new credit agreement for an asset-based revolving credit facility for up to \$20 million with MidCap Financial, which was used to repay existing indebtedness to our first lien lender and will support the business as we continue to transform the legacy roadside assistance market. The facility also provides for an additional \$5 million of borrowing as the accounts receivable borrowing base increases. In addition, also on February 26, we extended our credit agreement with Highbridge Capital Management for 17 months through July 31, 2026.

Highbridge agreed to delay the repayment of certain back-end fees under the company's second lien agreements in exchange for the issuance of approximately 225,000 shares of Urgent.ly common stock and an extension of its second lien term loans until July 31, 2026. Also, part of the extension includes quarterly PIK interest or quarterly cash interest payments based on certain financial measurements at the end of each quarter.

During the first quarter, we capitalized approximately \$1.1 million in software, mostly to make enhancements to our platform by adding features and functionalities, which benefits our customer partners. We expect this practice to continue with approximately the same to be capitalized in the second quarter of 2025. As of March 31, 2025, we had 1.2 million shares of common stock outstanding. Turning now to the outlook. For the second quarter of 2025, we expect revenues to be between \$30 million to \$33 million and our non-GAAP operating loss to be less than \$500,000.

Additionally, we continue to target maintaining non-GAAP operating breakeven in mid-2025. Our expected common stock shares outstanding at the end of the second quarter is \$1.3 million. With that, we're now happy to open the call for questions. Operator, please open the line for Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Chris Pierce, Needham.

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### Christopher Pierce - Needham & Company Inc. - Analyst

Just a big picture question to start. You went into a little detail, but I'd love to hear more about the new OEM partner you signed last year, how things are progressing there. And then a little bit on the mid-market insurance opportunity that you're attacking through a Champion Challenger model, and sort of how those relate to the gross margin path, if they do at all? Is that like as you move more back into the insurance business?

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### Matthew Booth - Urgent.ly Inc - President, Chief Executive Officer, Director

So thanks, Chris. It's a good question. So the client that we mentioned is a rental renewal, which was greater fleet renewal, which we're excited about this year. It should help us expand the business quite a bit as we move forward. In terms of the targeting of mid-market insurance, we spent the last 18 months really rationalizing the business and working on unit economics.

So now we're pretty ready with the technology and to reenter the market and provide the service that we provide at scale for those kind of clients. So it's a little bit different, like we were a little bit early in the market before. Now I think we're ready to go. And I think the improvements in the unit economics that you see show that.

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### Christopher Pierce - Needham & Company Inc. - Analyst

And then, Tim, you talked about the OpEx leverage, and a lot of it was related to the hard decisions you had to make as far as Otonomo. Does that mean we're sort of in the later innings of leverage there? Or should we expect a little more low-hanging fruit as far as OpEx on a quarterly basis?

**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

Yes. Thanks, Chris. The majority of the year-over-year decline was related to some of those cost rationalizations and decisions we made with Otonomo. However, there was certainly additional cost reductions along the way associated with the, I'll call it, core Urgent.ly business. And we do expect a continuation of cost rationalization through 2025, although not at the scale, obviously, that we saw in 2024. But we do think there's still a little bit of room to go related to further efficiencies.

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**Christopher Pierce** - *Needham & Company Inc. - Analyst*

And then back to Matt, can you just walk me through like the timing of the insurance, like the appetite in the industry for a challenger champion-type model? And has that model been employed in the past? And how does the challengers show that they're sort of outperforming the champion? Or what does it look like in terms of boots on the ground performance and things like that?

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**Matthew Booth** - *Urgent.ly Inc - President, Chief Executive Officer, Director*

Yes. So some of our contracts that we have are actually dual-sourced, where we started off as a provider, where we may have started with 10% or 15%, and then we worked our way up over time to 50% to 60%, 70%. It's really the really large accounts that have really shown an interest in being dual-sourced. I mean if you're a really big account, you really need more than one vendor for something like this. It's something that we've been talking about to folks for quite some time.

I think now folks realize that, number one, we have enough scale and enough technology underneath to fulfill what they need from a service perspective. And then number two, there's just a lot of volume. And just because of how this market works, folks want a backup vendor for something like this. So I'd expect that trend to kind of accelerate over time.

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**Operator**

(Operator Instructions) Jim McIlree, Chardan.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

Tim, can you help me understand operating expenses? I know that you're trying to reduce further, but it seems like you're going to require some increases with the mid-market entries. I'm just wondering how that shakes out? Are we looking at a kind of flattish OpEx? Or is it still down on an absolute basis for the next couple of quarters?

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**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

Yes. Yes, I would expect it to be slightly down on an absolute basis, Jim. As we've changed the model quite a bit over the last couple of years, as related to start-up costs related to launching new contracts and being able to support that, being able to support new business. So I wouldn't expect anything significant related to that ramp-up. Obviously, if we have a very, very large contract, we may see and we would guide to additional costs there.

But for the most part, I would expect the operating expenses to continue to slightly decrease here throughout the year. I will say that depending on what we call first call costs, we could see additional costs running through our margin, and we would just have to balance that out. So that would be if the insurance company, these mid-level insurance companies, required us to "take that first nondigital call" that would run through our margin. We would certainly do our best to, as Matt indicated earlier, hold those unit economics there, but we could see some additional costs running through on the cost of revenue side related to that. But overall, we do think our metrics have improved, and we believe we can hold those metrics as we enter this new space.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

And the cash went down \$7.7 million or so, and it looks like a big chunk of that was a reduction in accrued expenses, which has been going down for a couple of quarters in a row. Can you help me understand what's going on there?

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**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

Yes. Yes, good question. In early first quarter, we did a debt repayment, and some of the fees related to the debt were accrued fees. They were back-end accrued fees to our then-first lender. So most of that reduction, Jim, it was a little over \$3 million, was related to those back-end debt fees that we paid in January of 2025. The rest was working capital changes.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

Okay. And so it's reasonable to think we're at kind of normalized levels now?

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**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

That's correct. That's right.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

On let's call it, working capital ex cash and debt, that we're kind of normal here.

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**Timothy Huffmyer** - *Urgent.ly Inc - Chief Financial Officer*

That's right. I think that's a good description.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

Okay. Great. And then, Matt, you talked about an increase in sequential growth beginning in Q3. And as we think about that and as we model the second half of this year and into 2026, when you talk about an increase in sequential growth, I'm assuming it's modest, and we hope for better as time goes on. But that turn is a modest turn. Is that right? Or is it something more dramatic?

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**Matthew Booth** - *Urgent.ly Inc - President, Chief Executive Officer, Director*

No, that's correct. That's the best way to think about it for this year. And Jim, just to add on to that, anything material, there would be a release and some guidance on as well. But you're thinking about it right.

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**James Patrick McIlree** - *Chardan Capital Markets LLC - Analyst*

Yes, yes. That's how I'm thinking is that if you get a big win, then the ball game changes. But as of now, it's more of a steady increase.

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**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Matt Booth for any closing remarks. Please go ahead.

**Matthew Booth** - *Urgent.ly Inc - President, Chief Executive Officer, Director*

Great. Thanks, everyone. In closing, I'm proud of the significant progress we've made to position the company for profitable growth, and we look forward to providing you with further updates on our progress on future calls. As a reminder, we will be participating in the Sidoti Virtual Microcap Investor Conference on May 21. And we're scheduled to host a fireside chat at 10:45 a.m.

Eastern Time. You can access live or a replay via our Investor Relations website. We'll also be attending the Jefferies Automotive Aftermarket and public company Investor Conference, excuse me, on May 22, in New York. If you're attending and you want to meet with us one-on-one, please contact your respective conference representative. If you're not attending and you'd like to meet with management, please reach out to us at investorrelations@geturgently.com.

We can schedule a call. Thanks again for your interest and for joining the call today. Very much appreciated.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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