

[Allocators 4 - Cameron]

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Intro: Hi everyone, welcome to the Allocators podcast. I'm your host, Sheret Ross. And today, I'm joined by Cameron Hyzer, CFO of Zoom Info.

Sheret R.: Cameron, thank you for joining us today. Looking forward to hearing the insights about how you allocate capital at ZoomInfo. Before we start, it'd be great to get some background of your career, and just where you're at today.

Cameron H.: Sounds great, thanks for having me.

Sheret R.: So as someone who has an electrical engineering background, how did you come into finance?

Cameron H.: Yes, that was a long time ago. When I was going to college, and looking at colleges, I think I wanted to be an entrepreneur at the time actually. I was excited about technology, and the intersection of technology and business. So I did go get an engineering degree in electrical engineering. And also at the same time had a dual degree program with Wharton, so I got a business degree along with that.

And as is the kind of typical twists and turns of figuring out what you want to do, I ended up going into Investment banking, which was pitched as a great way to learn about business, and to see a whole bunch of different businesses. But that really started me along the path for finance, I was obviously, did a bunch of things within Investment Banking, then I went to go work for a private equity company.

And one of the portfolio companies of the private Equity Company that I worked for needed a temporary CFO, and so I went to actually went to Bath, England to be a

temporary CFO for summer. Really enjoyed the operational side of finance, and have really been in that kind of CFO/kind of senior finance position ever since.

Sheret R.: And what led you to ZoomInfo from your current experiences?

Cameron H.: Yes. Before ZoomInfo, I worked at a company called Eze software. We did an order management systems for hedge funds, and mutual funds. We actually went through a couple iterations of when I started, we were found around, and then we sold to a private equity firm, and kind of merged with some assets out of the bank in New York, and then we spun out and sold to another private equity firm.

So throughout those kind of sales, I got to know the Carlisle people pretty well. They bid on Eze quite a few times, through the history of Eze. So when we finally sold Eze to SS&C, I naturally wasn't going to stay, it was kind of a smaller part of a bigger organization, and they called me up and they said you really need to meet Henry, they had just invested in Zoom info and it was DiscoverOrg at the time.

But they just invested and were really excited about it. So I met Henry, and I was really excited about the opportunity to really help sales teams be more effective and efficient, and that's obviously what Zoom info does. Yes, it's a super company, great people, with a great growth trajectory ahead of us. So got excited about it, and joined in 2018, and actually moved out to Vancouver Washington to join the team.

Sheret R.: Awesome, great. In hindsight, it seems you've been there for over four years, is that correct?

Cameron H.: It is, yes.

Sheret R.: So what was the finance department like when you walked in versus what it's like today?

Cameron H.: Yes, that's pretty interesting. When I started, the guys at TA told me that we invested at this company when it was a 25 million dollar company, and we haven't really invested into kind of building out the back office kind of capabilities, and that included the finance team. So I think we were, I don't know, eight or twelve people, not kind of super focused on the external part of Finance.

So ultimately raising money, and going public and those sort of things. It's very much a kind of bootstrapped company kind of finance organization that just did kind of minimum reporting to kind of help make business decisions. But didn't have the same depth and kind of focus on everything else that the finance organization needs to do.

So my job when I started was to really build the finance organization. We were in the middle of implementing NetSuite at the time. I hired basically an entire new team. I think by the time we went public, there were probably, I think we had close to 65 or 70 people. And I think half of the people that were here originally had left at that point, but hired new chief accounting officer, hired a whole bunch of people within the FPA Team.

All the SEC reporting a procurement person, you name it. We've really built out the team, in order to operate much more, in a much more controlled environment that you need to when you grow.

Sheret R.: And how did that transition? Like how similar was that transitioning from private to public? Was that your first time doing it?

Cameron H.: It was my first time doing it. At Eze, we had like gone through the IPO process, so we've gone through a couple rounds of comments with the SEC in terms of our S1 document and so forth. But that process ultimately ended in a sale to a private equity firm. So it was the first time actually kind of getting through the other end of going public. Anytime you go through that, it's a lot of work, it's a lot of change.

I think we did really well in terms of the smoothness of it. We actually, we're going public basically a year and a half after I started, so starting from zero to actually going public, it was kind of for him to get to that point. But the interesting thing is it's not like that's the end point, that's really the beginning of our relationship with the current investors that we have.

So it was a kind of a sprint to get into the starting date gate of being public, and then we continue to kind of grow, and build out more and more functionality and capabilities, and back office capabilities from there.

Sheret R.: So I'm just thinking about fast forwarding to today. How are you thinking about capital allocation going into this year and into next year?

Cameron H.: Yes. So we're always focused on Capital allocation, and what we can do. The great thing about Zoom Info is that we are fairly cash flow generative. So we generate a fair amount of cash, day after day, week after week. So it's really a question of what's the best use of that cash as we go forward. Yes, certainly in today's environment, there's a premium to having cash in an uncertain economic environment.

So we do continue to hold on to our cash, at least some of it. And yes, I think over time, we've been very successful acquiring companies and integrating those into the platform. So we continue to look for great opportunities to build value for our customers, and for our shareholders through acquisitions. And then about a month ago, we also announced that we're beginning a share repurchase program.

So we've started to repurchase some of our shares on the open market as well, in order to return some of the capital that we generate to shareholders. And so that'll be a balance that we continue to focus on as we continue to grow and generate more cash flow.

Sheret R.: So looking at this year, how was the budget design process this year compared to previous years? Just given the economy and how things are trending in the macro environment.

Cameron H.: Yes. I mean certainly, this this year has been a tougher year, and we kind of walked into it knowing that. So we certainly injected additional conservatism into how we thought about the budget and a number of our customers are in the software space, and other places, and those customers have been fairly materially impacted by the current economic environment.

So yes, we certainly had a much greater level of conservatism in terms of how we think about the budget, we've essentially assumed that a kind of tough macro environment continues through the entire year. And as a result of that, I think we're much more cautious about hiring and where we're investing in the business, but still very focused on making sure that we're investing in the right things to drive future value.

And so for us, that means probably doing fewer things, but doing those things really well and leaning in hard to making sure that they're successful, and drive value out the future.

Sheret R.: And has the realities of Q1 forecasts and what adjusted kind of go forward budget? Or was it somewhat on plan to what your expectations were?

Cameron H.: Yes, and I think it was largely unplanned to what the expectations were.

Sheret R.: Cool. Well, I'm kind of curious to learn a bit more about how ZoomInfo Works internally. Like I know how we buy so software, usually, like when we bought Zoom info, it usually comes down to a CFO or c-suite level decision. It would be interesting for you to walk us through maybe the last time zoom info made a decently sized software purchase internally.

Cameron H.: Yes. I mean, we're always focused on what's the business case for any software that we're buying. And yes, I don't know that I get involved in every software purchase. We have a procurement team, and other folks that are super focused on that.

But I think great thing about Zoom info is that the entire company is focused on how do we continue to be efficient with what we do. So we're very acclimated to really creating that business case, defining what we think we're going to get out of a particular purchase. If most software is about one of two things, it's either about generating more revenue, or it's about kind of cutting costs or improving quality of what we do within the organization.

So when we think about that, it really is okay, where do we think we're going to be able to generate revenue, what do we think are realistic expectations for that, and therefore, there's a return. And then certainly when we think about efficiency, it's also about what can we do better, how can we do it better?

How can something help us scale the organization? And so that scaling and efficiency is also something that we aim to define, and then make sure that there's a solid return on the software that we're purchasing.

Sheret R.: Yes, it makes sense. And I guess it also just influences your M&A strategy somewhat heading into the next couple years, is just perhaps there's more opportunity that are coming up that wouldn't have had the chance historically. Is a team seeing kind of new opportunities to present itself? Or is it still too early to really know?

Cameron H.: Yes, it's still pretty early. I think we're very focused on making sure that we are deploying our focus on the business, just because there's so much opportunity for us to continue to grow, and really drive value for our customers.

But over time, I'm certain that there will be opportunities that where we can really value the customers and to our shareholders. Right now, I would actually tell you that I think the bid asks spread if you think about that of what private companies are looking for, because most of the companies that we've acquire more private than public. I think it's starting to come in a little, but it's still wider than I think you would have seen in history.

And so that tells me that there's not a big rush to go out and we have really focused on acquisitions in the immediate term. But certainly, as we get further down the road and in the medium short, long term, I'm sure there will be some good opportunities.

Sheret R.: Got it, okay. So if you have a crystal ball heading into next year, where do you think the biggest pivot is going to be from a capital allocation strategy? And with that, where do you think interest rates are going?

Cameron H.: Yes. My crystal ball is not as clear as it perhaps could be. From a capital allocation perspective, I think that every company needs to kind of think about that with respect to their own needs and where their growth potential is. Certainly, I don't know when the economic environment is going to stabilize or improve, but I know that it will at some point. At least, I've been through a couple economic cycles and in the depths of it looks really bad.

And at some point, you come out the other end, and things stabilized for us that's all about buying behavior and so forth. So when we come out the other end, our focus is really on making sure that we're really well positioned to take advantage of that. And so in the short term, that means continuing to build sales capacity, continuing to kind of focus on efficiency. And then when we come out the other end, we'll want to continue to invest into the business and accelerate as a result of that.

In terms of capital allocation, because we are fairly cash flow generative, yes I'm not super worried about continuing to invest in the business. I'm going to show a little bit of operating leverage in either event. And so we'll focus on other acquisition opportunities or opportunities to repurchase our stock as we go through that. From an interest rate perspective, like yes, I don't know that I know any better than the market, certainly the [Inaudible 00:13:33.19] will tell you that at some point interest rates are going to come down.

The current yield curve is probably towards the end of the year, or the second half they peak and then start to come down. But I generally don't try to bet on interest rates going

one way or the other, and because I run a capital like business, I don't have to worry about it.

Sheret R.: Awesome. Thanks for the conversation, and appreciate the insights. That's all the time we have for today, this is Sheret, Ross thank you for joining us on the Allocators.

Outro: Thank you for joining us on this episode of the Allocators. Join us next week for a new discussion where we get inside the mind of a financial decision maker. I'm Sheret Ross, see you next time.

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