S&P Global
Market Intelligence

comScore, Inc. NasdaqGS:SCOR

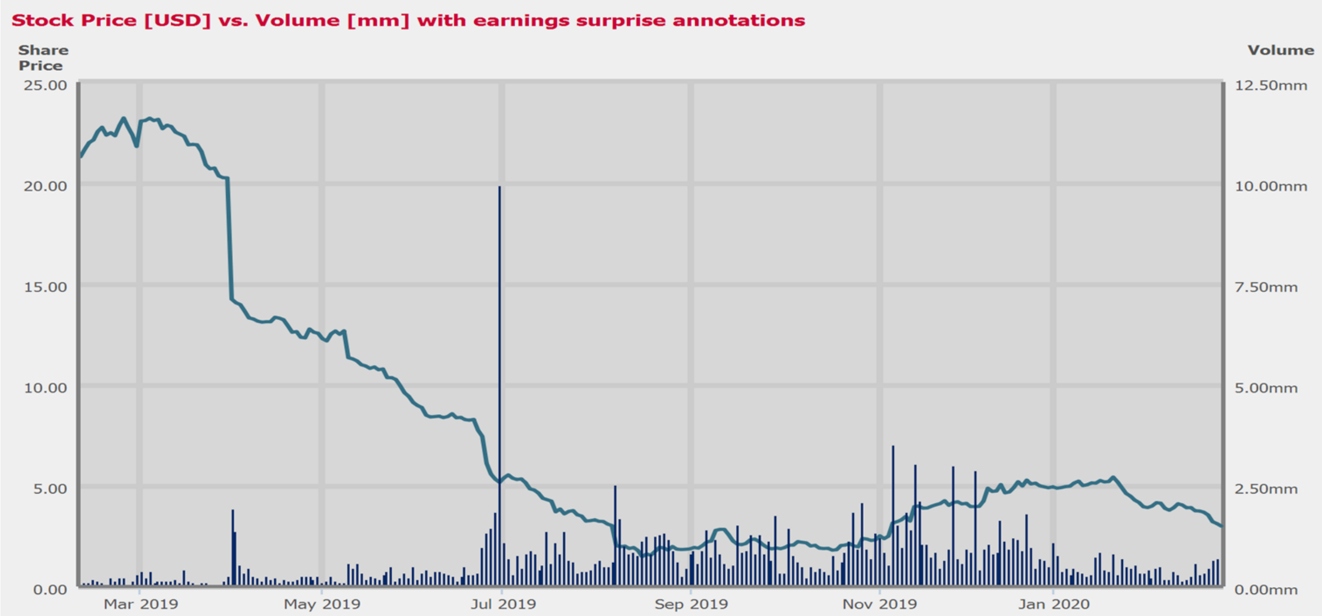
FQ4 2019 Earnings Call Transcripts

Thursday, February 27, 2020 10:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2019-			-FQ1 2020-	-FY 2019-			-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS (GAAP)	(0.30)	(0.31)	NM	(0.30)	(4.50)	(5.33)	NM	(0.96)
Revenue (mm)	96.09	95.16	▼(0.97 %)	97.05	389.49	388.64	▼(0.22 %)	390.13

Currency: USD
Consensus as of Nov-13-2019 2:10 PM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	(0.38)	(0.46)	NM
FQ2 2019	(0.45)	(4.61)	NM
FQ3 2019	(0.42)	(0.16)	NM
FQ4 2019	(0.30)	(0.31)	NM

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EXECUTIVES

Christopher Ferris

Gregory A. Fink
CFO & Treasurer

William P. Livek
CEO & Executive Vice Chairman

ANALYSTS

Laura Anne Martin
Needham & Company, LLC, Research Division

Matthew Corey Thornton
SunTrust Robinson Humphrey, Inc., Research Division

Surinder Singh Thind
Jefferies LLC, Research Division

Victor B. Anthony
Aegis Capital Corporation, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to comScore Fourth Quarter 2019 Financial Results Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

It is now my pleasure to hand the conference over to Director of Investor Relations, Mr. Christopher Ferris.

Christopher Ferris

Thank you, operator. Before we begin our prepared remarks, I'd like to remind all of you that the following discussion contains forward-looking statements. These forward-looking statements include comments about our plans, expectations and prospects and are based on our view as of today, February 27, 2020. We disclaim any duty or obligation to update our forward-looking statements to reflect new information after today's call.

We will be discussing non-GAAP measures during this call for which we have provided reconciliations in today's press release and on our website. Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. These risks and uncertainties include those outlined in our 10-K, 10-Q and other filings with the SEC, which you can find on our website or at www.sec.gov.

I'll now turn the call over to comScore's Chief Executive Officer, Bill Livek.

William P. Livek
CEO & Executive Vice Chairman

Thank you, Chris. And I'd like to start our call today by discussing our measurement deal with Comcast. Today, we're announcing an agreement to begin integrating Comcast TV homes into our local and national TV footprint. This move vastly improves our direct measurement of television households across the U.S. markets and greatly enhance our national and local rating services. The entire television ecosystem is poised to benefit from this landmark announcement and comScore's stable and predictive audience ratings, impressions and scale.

The integration of Comcast viewing information will strengthen our already stable and predictive audience ratings and add impressions and will increase accountability and insights for advertisers, agencies, stations and networks. Advertisers and agencies for the first time with visibility for viewing information from all the major MVPDs that provides additional confidence, so buyers and sellers of advertising will be able to maximize the value of their inventory.

We look forward to discussions with our customers and prospects who stand the benefit from this advancement in our service. We believe this enhanced capability will present an opportunity to sell comScore products to more media companies, brands, advertisers, agencies and driving our revenue growth.

Looking to future products, our integrated data set will be invaluable for addressable advertising and measure many of the emerging and major streaming services. Targeted ads on streaming services with limited ad inventory require more precise measurement and comScore has that ability.

The expansion of our streaming measurement, addressable services and the Comcast partnership, are all major milestones in our long-term growth plan. We are thrilled to have expanded our partnership with Comcast and are excited about the transformative possibilities.

Since becoming comScore's CEO 4 months ago, my energy has been placed on positioning the company to capitalize on the significant growth opportunities in front of us. I can feel the renewed energy with our clients and our employees. We are focused on delivering relevant and game-changing products that our customers need, and we have taken steps to improve our product and our sales organizations.

As an example, Amir Yazdani, a key architect of our television products and movie services, has returned to accelerate product innovation and rollout, teaming with Dr. David Algranati, our Chief Product Officer and longtime measurement expert. We promoted Carol Hinnant, a 30-year veteran of the media business, to Chief Revenue Officer, where she is spearheading our efforts to drive growth across digital, TV and cross platform. Our commercial team led by Chris Wilson is driving our strategy and positioning our information products as essential must have solutions for our industry.

During the fourth quarter, we saw positive developments across our key businesses. And I am very proud to say that we saw signs of stabilization in our syndicated digital business. We secured many key renewals and won back numerous customers in digital, including Buzzfeed, iHeartMedia, Publishers Clearing House, Revolt Media and ViacomCBS and many others. We believe these wins represent green shoots of a turnaround in digital. This is happening as publishers recognize the value of our complete and unduplicated view of how many audiences consume content across devices. We also see major opportunities, given the push for privacy laws around the world, which I believe will lead publishers to turn to the privacy first unbiased third-party measurement that comScore prides to run their businesses.

We are also seeing momentum in other key areas as such in local TV, which grew 35% year-over-year in the quarter. The demand for census level, third-party measurement remains strong, and we are adding customers for our TV business. In the quarter, we announced new local TV agreements with Gray Television, Draper Media, Quincy Media and others. Last week, we announced a multiyear partnership with CBS Television to provide our local ratings currency to all CBS-owned stations.

Our movie business also has had a solid quarter, where we remain the global standard for worldwide measurement and analytics. In the fourth quarter, we renewed Paramount Pictures to a multiyear agreement. We also are forging ahead internationally. We recently signed several new deals in Latin America, including a long-term deal with Cinemex, who will be using our Showtime Analytics platform and will also be utilizing our real-time reporting customer analytics and solutions across their massive footprint in Latin America.

Now I'd like to take a moment to discuss new products, those that we believe will position us best for long-term growth. Addressable TV and cross-platform. Today's media ecosystem is more fragmented than ever before, and that's great for comScore. The industry needs integrated measurement across all screens, all devices as well as advanced addressable advertising measurement and impression-based measurement across all screens, with advanced demographics. We are best positioned as a company to execute on this opportunity. We are creating new products to exploit this landscape and starting to see results from these categories, all of which are contributing to revenue.

In my opinion, comScore is the only measurement provider with the information and analytic capabilities to deliver a complete solution for these opportunities.

Let me spend just a moment on addressable advertising. An addressable ad is one that can both target household driven and be personalized. Consider 2 households watching the same program, live, on-demand or streaming. With comScore, the advanced demographic information and buying preferences or even the buying intent of these 2 similar households, but different household is known. With addressable advertising, each of these households can be served a different ad based on the household buying preferences, all in a privacy compliant way. By working with the addressable delivery platforms, comScore is uniquely positioned to provide solutions that measure ads and optimize addressable inventory. The opportunity is massive and growing rapidly with addressable ad inventory increasing to roughly $3.5 billion by next year, according to e-marketer.

Let me touch on Google's recent announcement that it would phase out third-party cookies by 2022. We believe this works to our advantage. As you know, we are focused on privacy and our evolving census-based network is designed to meet those demands. Also, we measure consumer behavior through our unique digital panel, where consumers have already opted in and share their media interactions across platforms. This combination of our panel and census networks gives comScore distinctive and unique advantage, and we can provide a full measurement solution while protecting consumer privacy. We see this new privacy world and our focus to be the best as a strategic advantage.

I am very pleased with the progress that we made. We are seeing positive signals in digital, growth in local TV and in our next-generation products. I'm confident the cost actions coupled with higher revenue will drive adjusted EBITDA growth and strengthen our balance sheet. At the end of the quarter, we completed a small financing transaction that increased our cash position and provides us with greater flexibility to operate our business. Greg will provide more details in a moment.

Lastly, our strategic review is ongoing, and we continue to pursue all options to maximize shareholder value. We do not have any updates at this time. But as I said, this process must have a beginning, a middle and an end, and I believe we're getting closer to that conclusion and we will update our stakeholders at the appropriate time.

I will now turn the call over to Greg, who will provide an overview of our fourth quarter financial performance. Greg?

Gregory A. Fink
CFO & Treasurer

Thanks, Bill. Today, we reported fourth quarter revenue of $95.2 million, which compares to revenue of $109.3 million reported in the fourth quarter of last year. The decrease was primarily the result of lower syndicated digital and custom solutions. These decreases were offset by higher local TV activation and small but growing addressable in OTT products.

Revenue from Ratings and Planning in the fourth quarter was $66.8 million, a decrease of $8 million from the prior year quarter. The decrease compares to the same period last year was the result of a decline in our syndicated digital products, national TV and cross-platform products. These declines were offset by higher local TV and addressable and OTT revenue. While syndicated digital revenue declined year-over-year, we experienced some stabilization in the fourth quarter as revenue was comparable to the third quarter. While the fourth quarter included approximately $0.5 million of nonrecurring revenue, syndicated digital remained flat on a sequential basis and represented 51% of Ratings and Planning, in line with the same period a year ago.

As Bill noted, we have seen several customers return and believe that the digital privacy laws, the changing landscape and need for our products will benefit the digital business over the long term. Additionally, a portion of the decline relates to some international markets, which we exited over the last few years, and the majority of those declines are now behind us. We are optimistic that the sequential quarterly declines will slow and flatten throughout 2020.

Revenue from Analytics and Optimization in the fourth quarter was $17.7 million, down $6.2 million from the fourth quarter of last year. The decrease was from lower digital custom marketing solutions and Lift products in the fourth quarter of 2019 as compared to the prior year. The decrease relates to lower project deliveries. The decrease was offset in part by higher revenue from activation.

Movies Reporting and Analytics revenue in the fourth quarter was $10.7 million compared to $10.6 million in the prior year. We continue to gain traction on developing and delivering new products and see growth from our high renewal rates, such as the multiyear Paramount deal that Bill mentioned in his remarks.

I will now turn to operating costs, which I'll discuss on a non-GAAP basis, excluding stock-based compensation. This quarter, we experienced the full impact of the actions we took earlier in the year to reorganize our operations. In the fourth quarter, our core operating expenses, cost of revenues, sales and marketing, R&D and G&A declined year-over-year and were flat on a sequential basis. Cost of revenues decreased by $4 million in the fourth quarter of 2019 compared to the year ago quarter due to lower headcount and lower fulfillment costs. Selling and marketing expense declined by over $6 million compared to the fourth quarter of 2018, and R&D decreased $5 million due to staffing reductions and other decreases in our cost base. G&A expense for the fourth quarter was lower compared to the prior year, primarily from lower headcount.

During 2019, we reduced our core operating costs by more than $50 million on an annualized basis. This includes the impact of lower headcount as well as reduction in other corporate expenses, professional services costs and facilities costs. We will remain vigilant in our expense management throughout 2020 and expect to reduce costs further to drive positive cash flow.

For the fourth quarter, we reported a net loss of $21.4 million compared to a net loss of $27.2 million in the same period last year. Reported adjusted EBITDA of $5.5 million for the fourth quarter compared to adjusted EBITDA of $6.3 million reported for the same period last year.

Our non-GAAP net loss for the fourth quarter was $8.4 million, which compares to a non-GAAP net loss of $2.5 million reported in the year ago quarter. We ended the fourth quarter with total cash of $66.8 million, an increase of $8.3 million from the third quarter and up $16.6 million from December 2018. The increase in cash from the third quarter is due to the issuance of a $13 million 2-year term note. We continue to focus on executing our plan for revenue growth and cost containments in order to generate cash in 2020.

The financing transaction we closed in late December provides us with additional financial flexibility as we execute on our business plan. We believe our current cash, combined with improved cash flow will allow us to operate and invest in our business, while also positioning us to satisfy outstanding interest on our senior secured convertible notes in cash.

Now I'd like to take a moment to highlight our 2020 outlook. Based on current trends and expectations, we believe 2020 revenue will be in the range of $390 million to $410 million, driven by higher TV revenue, revenue from addressable advertising and a slower decline to stabilization in syndicated digital revenue. We expect revenue in Q1 to be slightly lower than Q4 and then increase each quarter throughout 2020 as we benefit from the political and Olympic cycle and gain traction with addressable advertising. Based on the revenue growth opportunities I described as well as the full year impact of 2019 cost reductions and continued focus on expenses, we expect to achieve an adjusted EBITDA margin of 7% to 10% for 2020. Now let me turn back to the operator to take questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Laura Martin with Needham.

Laura Anne Martin
Needham & Company, LLC, Research Division

Great job here. So a couple of things. My recollection from the Rentrak days is that when you sign up somebody like Comcast, there's a bunch of costs that hit your P&L right away. And then as you renew your deals, you increase their revenue. So what's the negative margin drag because of the Comcast deal in the near-term 2020? That's my first question.

William P. Livek
CEO & Executive Vice Chairman

Well, Greg is the margin guy. So I'll turn it over to him.

Laura Anne Martin
Needham & Company, LLC, Research Division

Okay.

Gregory A. Fink
CFO & Treasurer

Laura, we don't think there's going to be any significant impact. I mean, obviously, we will need to integrate that data, but we see it as something that we can do at a relatively low cost. Some of those costs, we have already embedded in our plan. And we feel very confident that it won't have a negative impact in 2020 to the numbers I shared earlier.

Laura Anne Martin
Needham & Company, LLC, Research Division

Okay. Right. Okay. That's...

William P. Livek
CEO & Executive Vice Chairman

Yes. And we did it, as you know, because we believe that it will be a revenue enhancer force.

Laura Anne Martin
Needham & Company, LLC, Research Division

Okay. Super helpful. And then the digital, one of the things you're showing in your guidance is growth, which would be a first of all in a long number of years here at the revenue line. And I was just wondering, though, if you could give us any additional comfort that digital has actually stabilized? I know you said it was flat quarter-over-quarter, but is there any other insights or data points you can give us the data downdraft to stabilize so that we can have more confidence that you actually can achieve revenue growth in 2020, please?

William P. Livek
CEO & Executive Vice Chairman

Great question. Thank you for that. What we've seen, actually, just in the last month outside the quarter, is the focus on the privacy laws, particularly the California one. Two companies that have gone out of business. And we see companies, clients who are doing business with those are starting to migrate back to us. And that is a very important, I believe, green shoot there. And we also see that because of the abundance of companies that went with programmatic and there's so much inventory, that many of the clients tell us who are returning, is that programmatic when they have premium offerings are not getting what they used to when they had their direct sales staff. So some companies are starting to put together sales members and they need sales tools like what we provide. So I'm optimistic on digital for the first time in a long time. I think we've got the right focus internally on it and the market is turning our way, Laura.

Laura Anne Martin
Needham & Company, LLC, Research Division

Okay. And then my last question is, your predecessor talked about 2 products that were going to be in the market in first half of 2020. One was Extended TV, which is like linear TV plus VOD and the duplicated Extended TV. I was just wondering, are we still -- is that still on our product road map? Or are we sort of pushing those aside and going to do addressable and cross-platform, which were the 2 strategies you sort of highlighted?

William P. Livek
CEO & Executive Vice Chairman

Well, addressable is a very important piece of the puzzle. And Extended TV, you can't have one without the other, right? So someone who is watching 60 minutes on all different platforms, you have to have that Extended TV for cross-platform to work and a Campaign Ratings to work. So they're all sort of embedded in one and the same. And we're seeing strong demand on those products, and there are a lot of additional offshoot products on our road map there.

Laura Anne Martin
Needham & Company, LLC, Research Division

Those are my questions. I appreciate it. Great numbers guys. Congratulations.

William P. Livek
CEO & Executive Vice Chairman

Thank you.

Operator

And our next question comes from the line of Surinder Thind with Jefferies.

Surinder Singh Thind
Jefferies LLC, Research Division

Just starting with a question on guidance. Can you talk a little bit about maybe what the outlook is for the TV business? And then relative to that kind of the Analytics and Optimization business in terms of the growth prospects for next year, what's built in the guidance?

William P. Livek
CEO & Executive Vice Chairman

Yes. Look, TV, we think, is going to have a strong year this year. I mean, if you look at the macro environment, we have a political up race going on, and I'm smiling because we all know that very well. And typically, in a presidential cycle, there's a lot of television activity. And as many of you long time investors and analysts know that we actually invented the ability during the first Obama campaign to target in a privacy compliant way with television, the persuadable voter. And every candidate has their definition of a persuadable voter that's different. We merge those segments in a privacy compliant way with our television information. And we think this year is going to be a super good year for us in television. The other questions, Greg, I'm not sure if I got, remember them.

Gregory A. Fink
CFO & Treasurer

Yes, I would just say that, as Bill highlighted in this call, some of the things that we've done around our sales organization and some of the changes that are happening in the ecosystem, we feel very confident, right, that many of the areas that might not have had growth here recently, will turn in 2020, right. And so when you look at our custom solutions business, when you talk about national TV, we feel confident that we're on the cusp of the turn there. Obviously, local was exceptional, right, as you saw, and the slowing decline in digital, which has been a headwind will be more than offset with these other areas. And so I think we're very focused on the areas that may have underperformed a little bit this year. And we're very bullish on their opportunities for 2020.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And then turning to the expense side of the story, it sounds like you're able to maybe squeeze out a little bit more in terms of some of the expenses for the year. About how or how should we think about that versus where the current run rate is as the year progresses?

Gregory A. Fink
CFO & Treasurer

Yes, I think the current run rate is a good proxy. I think that there will be opportunities for us over the course of the year. We've talked a lot about leases. We have more of those that will expire, go to sublease in 2020. And there's other areas at the company around professional fees and other costs and compliance that we believe will also come down. I think the heavy lifting is now behind us. But I think there are opportunities for us to continue to drive those costs lower around the margins over the course of 2020, which will be obviously helpful. But I think the third quarter and the fourth quarter were good proxies. As I had said on the third quarter call, right, fourth quarter will be a little higher due to year-end sales commissions and the like. And so while they turned out to be flat, if you think about that, I think it's a good proxy for where we're headed in 2020.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And then if we were to turn to incremental margins, I assume you guys are at a fairly comfortable stage where you should be able to grow healthy, I'll say, without too much additional expenses at this point?

Gregory A. Fink
CFO & Treasurer

I would say that, that's spot on. I think there is an opportunity for us to grow the revenue line, while total costs continue to go down that's why we provided an adjusted EBITDA margin range that would be significantly above where we were in 2019.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And then maybe a bit of a big picture question here. Obviously, you guys are enjoying great success within the local TV market. What do you think it will take to translate maybe some of that success more towards the national market at this point, I mean, winning over there? Yes, please go ahead.

William P. Livek
CEO & Executive Vice Chairman

Yes, I think that's driven by the advanced audiences, right? If you think about us, think about measuring TV with the products we as consumers buy, own or lifestyles that we have versus just age and gender demographics. And as you have more accountability being demanded in the market, we see a significant upside with our national business. And particularly with the new streaming services, in the quarter, we didn't talk about it, but with some of the major streaming services, we integrate it, server to server integrations with our Video Metrix product. And you have to utilize our television product to utilize Video Metrix. So the more streaming that is going on, we think that will translate to more revenue in our national business. But remember, our national business too is just not TV networks, right, it is brands that come in they buy that our national service for a particular length of time because they have certain strategic initiatives that are going on. But we feel really good about where national television is headed.

Operator

And our next question comes from the line of Matthew Thornton with SunTrust.

Matthew Corey Thornton
SunTrust Robinson Humphrey, Inc., Research Division

Maybe a couple if I could. I mean, start with Comcast, what's the time line to getting that data integrated into the syndicated products? And is this a function of going from 0 households with Comcast to all of them or from some all them or from 0 to some? Just any color there would be helpful as well. And then just a second question, maybe for Greg. The -- what were the terms on the loan, now that the small term note intra-quarter, any color there would be helpful.

William P. Livek
CEO & Executive Vice Chairman

So let me start with our building block and that's local markets. All 210 markets add up to our national numbers. And in local markets, where we have all operators, we have to do very little mathematical modeling to make sure that we're representing an operator that we don't have, like we had not had Comcast before. Now that model comes out and actual viewing data goes in, which we see as a material improvement in our service and takes away one of the last objections that is there why agencies are not advancing faster. We're excited by this. We know station groups are excited by this. And we're also doing a lot of great work in local cross-platform. And in local cross-platform, the more complete measurement you have, we think, the happier customers that we will have there. Now we're targeted to complete this by year-end. That's our focus. We've got a super capable team that has done this before. And this is something that's strategically important for the industry and us. So we're making it top priority.

Gregory A. Fink
CFO & Treasurer

Thanks, Matt. Let me just address your question on the financing. As I mentioned on the call, $13 million 2-year term note, it's 9.75% interest. All of the information around that note will be filed in our 10-K year-to-date.

Matthew Corey Thornton
SunTrust Robinson Humphrey, Inc., Research Division

Perfect. And then just maybe 1 quick follow-up. Obviously, you guys alluded a little bit to maybe some opportunity for further expense reductions. R&D was down again sequentially. I think it's a multiyear low, if not all-time low. How do you think about, again, the ability to continue to maybe turn growth around inflects growth, while cutting costs and maybe not hitting into muscle? I guess, how -- any thoughts there, I guess, would be help as well.

William P. Livek
CEO & Executive Vice Chairman

Look, we are relentlessly focused on customer satisfaction. That's super important. We think we've got the right cost base now to build new products. And the reason I mentioned Amir Yazdani, Amir helped us it build many of the products that we have today and advance those. He along with David Algranati and a great team that we have here at comScore, I believe, are going to continue to build great products, and we don't have to add a lot of cost. One of the best kept secrets is that it's easy to spend so far in advance of revenue. And we've taken a different perspective. Greg and the team that I inherited, many of the folks I've worked with for a long time, we know how to spend just a little bit in advance of revenue. You don't have to do it years in advance. I think that's in this number.

Gregory A. Fink

CFO & Treasurer

And I'll just follow-on, Matt, as I said, right, I think the heavy lifting is done. There's other areas that are not people related that we think we can continue to drive lower. We -- contract services, professional fees, facilities, other areas that are still sizable that we think we have opportunity to drive lower. So I think we are very conscious around your points around getting things done and getting things built. And so as I said, these are more around the fringe to drive those costs lower, but the heavy lifting is behind us.

Operator

And our next question comes from the line of Victor Anthony with Aegis Capital.

Victor B. Anthony
Aegis Capital Corporation, Research Division

Congrats on the execution in the Comcast deal, which looks like a game changer for you guys. A couple of questions. Maybe I'll just rattle them off right now. One, I guess, that's on the topic that's real right now, which is coronavirus. Maybe you could just talk about what sort of exposure you guys have, if any? That's one.

And second, on that Comcast deal, wanted to kind of look beyond just television and see whether or not there's an opportunity for you guys to expand the measurement into more digital -- the digital platforms that they have?

And on the third, I wanted to see if you guys could kind of walk us through and refresh us on your strategic options that you have on the table right now. You said you're close to an end. What could that end be, I think, is the potential sale of the company or pieces of it, is that part of it. So if you could just kind of refresh us? Thanks.

Gregory A. Fink
CFO & Treasurer

Victor, let me take the first one, on the coronavirus, we don't see really any impact to us as it relates to that. As I mentioned earlier, we had exited international -- some international markets some time ago, including, for the most part, China, and some other countries in that area. As we look at our global footprint, we feel pretty comfortable in the revenue guidance that we gave and that would have minimal to no impact for us. I'll turn it over the Comcast question to Bill.

William P. Livek
CEO & Executive Vice Chairman

Comcast has always been a great client. We've done work over the years. And they were actually the first company that gave us the honor of having their video-on-demand information. And we're in constant conversations with what they're doing. And remember, our video platform, our Video Metrix platform is what I believe the industry standard. And everyone who goes direct-to-consumer, want to make sure that there's a server to server integration. So we're committed to work with all of our customers as they expand into these new frontiers.

Lastly, your question was on strategic options. There's really nothing I can say other than what was said in my prepared remarks and in the previous earnings calls. There will be an update when there is an update on it.

Victor B. Anthony
Aegis Capital Corporation, Research Division

Got it. And just a follow-up on your guidance for EBITDA for 2020. How should we think about the free cash flow conversion in 2020?

Gregory A. Fink
CFO & Treasurer

Yes. I mean, I think, look, as we think about adjusted EBITDA as we move forward, many of the reconciliation items there between EBITDA and adjusted EBITDA that we had in 2019, we won't have in 2020, such as the investigation and audit costs, for example. So when you think about it, I think adjusted EBITDA, absent the impact of stock-based comp is a good proxy for free cash flow, absent capital expenditures. So I think you can take a look at the trend around stock-based comp, think about where that will be, back that out and you can get a pretty good flavor for where we think cash flow will be in 2020.

Operator

[Operator Instructions] And I'm showing no further questions at this time. I will now turn the call back over to CEO, Mr. Bill Livek, for closing remarks.

William P. Livek
CEO & Executive Vice Chairman

Thank you so much, operator. We look forward to sharing all of our progress and our results with you in the coming quarters. Thank you for joining us today. And those of you who are shareholders, I thank you for trusting us. Talk to you soon.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.