

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q1 2023 Cellebrite DI Ltd Earnings Call

EVENT DATE/TIME: MAY 10, 2023 / 12:30PM GMT

CORPORATE PARTICIPANTS

Andrew Kramer

Dana Gerner *Cellebrite DI Ltd. - CFO*

Yossi Carmil *Cellebrite DI Ltd. - Founder, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Douglas Jonathan Bruehl *JPMorgan Chase & Co, Research Division - Research Analyst*

Jamie Shelton *Deutsche Bank AG, Research Division - Research Associate*

Jonathan Frank Ho *William Blair & Company L.L.C., Research Division - Partner & Technology Analyst*

Michael Louie D DiPalma *William Blair & Company L.L.C., Research Division - Analyst*

Shaul Eyal *TD Cowen, Research Division - MD & Senior Analyst*

Tal Liani *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

PRESENTATION

Operator

Welcome to the Cellebrite's First Quarter 2023 Financial Results Conference Call. (Operator Instructions)

I would now like to turn the call over to your first speaker today, Mr. Andrew Kramer. Mr. Kramer, the floor is yours.

Andrew Kramer

Thank you, Shelby. Good morning, everybody. Cellebrite's First Quarter 2023 Financial Results Conference Call. Joining me today are Yossi Carmil, Cellebrite's CEO; and Dana Gerner, Cellebrite's CFO. There is a slide presentation that accompanies our prepared remarks, and you can advance the slides in the webcast viewer to follow our commentary. We will be sure to call out the slide number we were referring to in our remarks. This call is being recorded, and a replay of the recording will be made available on our website shortly after the call.

Let's start with Slide #2. A copy of today's press release and financial statements, including the GAAP to non-GAAP reconciliations, the slide presentation, all of that is available on the company's Investor Relations website at investors.cellebrite.com. Please note that the quarterly financial tables and supplemental data for the first quarter and each quarter for the past 2 years, will be posted to our Investor Relations website after this call concludes. Also, unless stated otherwise, our first quarter 2023 financial metrics as well as the financial metrics provided in our outlook that will be discussed on today's conference call will be on a non-GAAP basis only, all historical comparisons over the first quarter of 2022, unless otherwise noted.

In addition, please note that the statements made during this call that are not statements of historical facts constitute forward-looking statements. All forward-looking statements are subject to risks and uncertainties and other factors that could cause matters expressed or implied by those forward-looking statements not to occur. They could also cause the actual results to differ materially from historical results and/or from forecasts. Some of these forward-looking statements are discussed under the heading Risk Factors and elsewhere in the company's annual report on Form 20-F filed with the SEC on April 27, 2023. The company does not undertake to update any forward-looking statements to reflect future events or circumstances.

Slide #3 provides the agenda for today's call. As you will hear, we are pleased with our Q1 financial performance and strategic progress, and we are focused on delivering on our full year 2023 targets.

And with that said, I'll now turn the call over to Yossi Carmil, Cellebrite's CEO.

Yossi Carmil *Cellebrite DI Ltd. - Founder, CEO & Director*

Thank you, Andy, and thank you all for joining us today. As reflected on Slide 5, Cellebrite's first quarter results and KPIs demonstrate a strong start to 2023. The first quarter of '23 was also marked by Cellebrite's continued progress with key strategic initiatives, aimed at advancing innovation and expanding our customers' relationship. It is really rewarding to see customers increasingly turn to Cellebrite for powerful digital intelligence software solutions that will help them modernize their investigative workflow. This is translating into higher usage for our Collect and Review solutions and increasing traction for additional growth engines like our Investigative Analytics

and our Case and Evidence Management offerings, all of which is helping grow wallet share within our installed customer base and capture new logos. As a result, we move forward with a solid momentum in a healthy marketplace.

Before I share some observations about our market positioning, highlights from the quarter, the market environment and our outlook for the remainder of 2023, I will briefly review our first quarter results and other select metrics. The Q1 revenue of \$71.2 million grew 14% over the prior year with subscription software revenue growing 27%. Our ARR grew 30% to \$261 million. We delivered another quarter with dollar-based NRR greater than 120%. We closed 21 large deals, each valued at greater than USD 0.5 million. We reported Q1 adjusted EBITDA of \$7.3 million for a margin of 10% and non-GAAP EPS of \$0.03. And we generated more than \$12 million in cash from operations and ended Q1 with cash and investments totaling just over \$221 million and no outstanding debt.

Turning to Slide 6. Cellebrite is recognized by public and private sector customers, industry experts and investors as a market leader in digital intelligence software solution. The cornerstone of our business continues to be our Collect and Review offerings that are trusted by customers around the globe to lawfully extract, [decode] and review digital evidence. Now these offerings, which represent more than 80% of Q1 '23 revenue are augmented by our Investigative Analytics and Case and Evidence Management solutions, which are still at the early stage of customer adoption. In addition to these offerings, we deliver high-value professional services, including training, certification and advanced services that customers use to reduce their backlog of devices by outsourcing digital evidence collection to our experts.

During the first quarter, we executed well on our product road maps and go-to-market initiatives. In Collect and Review, the substantial investments we've made in recent years to expand our mobile research capabilities continue to pay off. Earlier this spring, we delivered an industry-first capability on our premium solution for the latest iPhone and iOS version. Our leadership in iPhone and iOS is complemented by our extensive coverage of Android-based smartphones, which command more than 70% of the global smartphone market.

Looking ahead, we are also excited about our near-term plans to further elevate the value proposition of UFED, our basic Collect and Review offering used by tens of thousands of examiners around the globe. In terms of other notable development progress, we continue to enhance our Physical Analyzer and Pathfinder investigative analytics by leveraging our ongoing investment in artificial intelligence to further differentiate these offerings. These solutions enable law enforcement professionals to quickly leverage powerful, timely insights into digital evidence, automate time-consuming of the manual tasks and advance investigation faster and more efficiently. We've also continued to advance Guardian, our SaaS-based platform for case management and evidence management.

From a go-to-market perspective, we are gaining solid momentum. The actions we took last year to enhance our strategic accounts management in EMEA in the U.S.A. as well bring in new private sector sales leadership are making a tangible difference in closing new business and building a stronger, high-quality pipeline of opportunities. This is reflected in several ways. Our first quarter NRR of 128% was the 17th consecutive quarter above 120%. Revenue in the Americas grew 20%, while revenue in EMEA increased 14%, its best quarter of top line expansion in the past year.

Our flagship Collect and Review suite of solutions, UFED, Premium and Physical Analyzer were at the foundation of the vast majority of our Q1 large deals as expected. 2/3 of these large deals included more than our mobile data forensic solutions such as computer, Cloud Data Collection, Pathfinder and Guardian as well as training and advanced services. We're also pleased to out that our revenue growth rate within the private sector has accelerated into the high teens. And we are moving forward focused on driving further enterprise expansion through our direct sales, our service provider channels and other high-value partnerships.

Our ARR growth of 30% primarily reflects our success in expanding wallet share with existing customers. Geographically, we continue to produce significant ARR expansion in the Americas, led by continued strength in our U.S. state and local government sales group. We achieved this ARR growth even as we have stopped our new sales activities in dozens of countries as part of our ongoing commitment to operate our business with the highest ethical and professional standards. Dana will share additional insights on this topic in a moment.

Moving to Slide 7. I will highlight several Q1 deals that best demonstrates our R&D and go-to-market progress and success. In Latin America, we are helping a large national agency evolve and upgrade their mode of operation in the face of more crime that involves

digital evidence, including financial crimes. This customer is now benefiting from expanded premium licensing as well as Guardian and Pathfinder. Just as noteworthy, this is the first customer in this region to use our digital intelligence offering that integrates cryptocurrency data and insights. With this deal, these customers' ARR increased substantially by 13x to \$1.6 million.

In our U.S.A. state local government accounts, there were 2 notable Q1 wins that showcase our ongoing success in growing our wallet share with police department serving midsized cities. Now in both cities, violent crime, especially [homicide], have been on the rise. So to help law enforcement move faster, both customers not only added Premium, but they also began deploying Pathfinder to accelerate the investigations in Guardian to securely share digital evidence among examiners, investigators and prosecutors. ARR for one of these customers increased by 4x to nearly \$600,000 and the other customer is also a great example of our success in harvesting smaller long-tail prime accounts. Now with this deal in place, ARR for this customer increased by over 10x to just under \$300,000.

We were also pleased to see that a specialist intelligence agency in Western Europe expanded its use of our Premium solution nationwide, while also renewing the licenses for our other Collect and Review to accelerate their cyber investigation and safeguard their citizens. As a result, these customers ARR increased by over 60% to \$1.2 million. And last, in the private sector, there were 2 notable deals in Q1 with our service provider partners who typically generate approximately half of our quarterly enterprise revenue. One service provider in a Central European country made its initial purchase of Mobile Elite, our on-prem enterprise solutions for collecting digital evidence from advanced smartphones. And other service providers West Coast office made its first purchase of our Endpoint Inspector, software for remote data collection. We believe that the breadth and depth of our product portfolio for the private sector leaves us well positioned to continue expanding our service provider relationship going forward.

So turning to Slide 8. We moved into the second quarter with solid momentum in a healthy marketplace that is benefiting from multiple tailwinds. With 90% of criminal cases involving a digital element, law enforcement agencies are increasingly recognizing that they must modernize their investigative workflow and [evolve] their current mode of operation. Our own industry research masked late last year as for the support to this. And here are some additional facts. Most law enforcement professionals and prosecutors believe that digital evidence is more important than physical evidence and DNA to successfully prosecute cases. Approximately 2/3 of all phones entering the lab are locked. Nearly 75% of agency managers agree that there is a growing technology skill gap in policing, making it even tougher for police forces to collect, manage, analyze store and use the digital evidence required to win conviction. And last, as it relates to digital transformation, almost half of the police chiefs and agency managers describe current strategies as poor to mediocre.

Slide 9 addresses our outlook. More specifically, based on our performance to date and the opportunities we see going forward, we believe we are on a track to deliver on our 2023 financial targets. I would like to close by reiterating that Cellebrite made important strategic progress during the first quarter and executed well against the top priorities that we outlined on our last quarter's call. Now these include bringing impactful innovation to the marketplace, extending our Collect and Review leadership and broadening our reach into new buying centers that can benefit from our high-value investigative analytics and powerful case management solution. Our team remains very enthusiastic about the company's prospects in 2023 and beyond, and we work together to deliver powerful digital intelligence solutions that will help our customers around the globe to protect and save lives, accelerate justice and ensure data privacy.

And with that said, I will ask Dana to begin her financial review. Dana, please?

Dana Gerner Cellebrite DI Ltd. - CFO

Thank you, Yossi. Let's begin a review on Slide 11. Total revenue of \$71.2 million for the first quarter was up 14%. This was driven primarily by 27% growth in subscription revenue. As detailed on this slide, 86% of our total quarterly revenue came from software subscriptions, up from 77% 1 year ago.

Slide 12 details our ARR growth, which is an important forward-looking KPI for Cellebrite sales momentum and the trajectory of future revenue. As Yossi noted, ARR grew 30% year-on-year, reaching \$261 million at the end of Q1, primarily as a result of continued expansion with existing customers. Within this category, we produced strong ARR growth for our Collect and Review solutions, mainly due to further penetration of Premium into our installed base. This expansion is augmented by faster growth from our Pathfinder investigative analytics and Guardian case management solutions, albeit on a much smaller basis.

And I'd like to briefly elaborate on churn, which reflects the impact of license reductions and cancellations. Churn was 10% in the first quarter, up to approximately 2 percentage points of the churn is directly tied to erosion from customers in countries where we have discontinued new sales activities and are no longer pursuing license renewals. We anticipate that the impact from voluntary churn will likely remain at the current levels throughout 2023 and gradually lessen as we move into the latter part of 2024.

Slide 13 details the historical trends for our non-GAAP gross margins and non-GAAP operating expenses, which exclude share-based compensation, amortization of intangible assets and acquisition-related expenses. Our first quarter '23 gross margin was 83.1%, which was up slightly from 82.8% in the same period 1 year ago. Our gross margin performance in Q1 reflects the positive impact from the sustained growth we have delivered in higher margin future sales.

In terms of operating expenses, first quarter operating expenses were \$53.5 million, which reflects disciplined spending, lower headcount on our personnel costs and, to a lesser extent, favorable changes in foreign exchange rates. We ended March with 973 employees, down 3% from Q4 and up 6% from the same period last year. We expect headcount to return to year-end '22 levels over the next quarter or 2.

Turning to Slide 14. Our adjusted EBITDA in the quarter was \$7.3 million or 10.3% on a margin basis. This was due to the combination of a strong revenue performance and disciplined spending. Those same factors contributed to non-GAAP operating income of \$5.7 million. Non-GAAP net income in Q1 was \$6.9 million and non-GAAP fully diluted EPS was \$0.03.

I am pleased with our cash generation to start the year. We generated cash from operations in the first quarter of \$12.5 million due primarily to our strong operating results and excellent collection efforts. We finished the first quarter with \$221.2 million of cash, cash equivalents and investments, up \$15.4 million from the end of 2022, despite meaningful cash outflows associated with annual bonus payments, fourth quarter commissions and USD6 million for the final payment associated with the company's acquisition of BlackBag Technologies in early 2020.

Let's move to Slide 15. Based on our results thus far and the opportunities ahead of us, we are on track to achieve our original financial outlook for 2023 and reiterate our full year 2023 guidance, which is displayed on this slide. In terms of ARR, we expect ongoing convergence between our subscription revenue and our ARR growth rate as we move through the rest of the year. On a related note, we expect that our total revenue growth rate will continue to lever subscription revenue growth rate due to stronger growth in professional services and the expected decline for other nonrecurring revenue as our perpetual license revenue has now reached relatively insignificant levels.

In closing, the [2-week cap], Cellebrite is off to a strong start in 2023. We have continued to deliver compelling innovation to the marketplace, which has been critical for sustaining our commercial progress in expanding wallet share within existing accounts and winning new customers. We also demonstrated our commitment to convert solid revenue growth into improved profitability even as we made meaningful strategic investments to expand our business and deliver value to customers. While it is still early in the year, we move forward on track to achieve our 2023 financial targets. We are confident that executing on our plans over the coming quarters will drive value creation for shareholders, customers, partners and employees.

That concludes our prepared remarks, and I'll return the call back to our operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Jonathan Ho with William Blair.

Jonathan Frank Ho William Blair & Company L.L.C., Research Division - Partner & Technology Analyst

Good morning and congratulations on the strong results. Just wanted to, I guess, get a little bit more color on the decision to voluntarily stop selling in some regions. Could you maybe give us a sense of how large the customer base is in these areas? And maybe what changed to cause you to stop selling in these areas now?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Shall I take it, Dana?

Dana Gerner Cellebrite DI Ltd. - CFO

Please.

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

So first of all, I would say nothing changed in the base that all the elements of making sure that the technology, which is aimed to do good, goes to the right places and being used in the right manner is part of our business for years by now. And obviously, human rights and data security and data privacy are important to us. Just to maybe refresh 2021, we formed an Ethics and Integrity Committee, which advised the Board regarding that policy. So that was basically something that even strengthens our existing compliance and ethical practices within the company.

So within that part, as we did over the last past years where we stopped new sales activities in dozens of countries, we decided to add additional countries. As part of that ongoing effort, I would say, to first of all, make sure we have the right operation that we focus on the right areas where we can be sure that the way our products are being operated are in the right manner. And that means Jonathan, basically, we are getting -- we always been cautious about that. We are getting better with that. And within time, based on our ongoing, ongoing ethics compliance, we are upgrading our activity in that respect blocking or getting out of additional countries. Does it answer your question?

Jonathan Frank Ho William Blair & Company L.L.C., Research Division - Partner & Technology Analyst

It does. I mean the first part of the question was sort of the size of the customer bases in these countries that you're exiting?

Dana Gerner Cellebrite DI Ltd. - CFO

Maybe I'll take...

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Yes. Go ahead, Dana.

Dana Gerner Cellebrite DI Ltd. - CFO

So in principle, we are really looking at a very, very long tail of a customer base. In these regions, we've done very insignificant business. So this will -- does not have a substantial impact on our revenue growth or ARR growth as we -- as I alluded to in my part, and we expect it to be almost none between 1.5 years (inaudible).

Jonathan Frank Ho William Blair & Company L.L.C., Research Division - Partner & Technology Analyst

Got it. Got it. And then you mentioned AI as part of the enhancements that you're putting into your products. Can you give us a little bit more detail in terms of what that opportunity looks like longer term? And can that maybe change either the competitive sort of win rates or drive additional upsell opportunities. I just want to get a little bit more detail around that AI opportunity.

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Yes, with pleasure and really exciting in that context. First of all, we invest in AI, as you probably remember, and use it as part of the technological assets that we put into our investigative analytics Pathfinder and also in the PA. Look, we continue to invest here because we see AI capabilities, I would say, on Physical Analyzer and Pathfinder is something that enable our customers to use it and quickly leverage insights, which is, by the way, classic helpful for digital evidence and especially in investigative world. Because as we move forward with AI, we will see that it will play a bigger role and an important role. And you can think about it like that, that in the investigative world, what we can help and offer is basically add with technology, improvement of mode of operation for the investigators around creating investigative scenarios and help with classifications of media, location, images, et cetera, et cetera.

As a result, as you probably understand, that will be a differentiator, creates, obviously, increased business opportunities into the future. And especially in those 2 areas that I've mentioned, one, Collect and Review with Physical Analyzer; and second, the ongoing interest,

which is related to Pathfinder investigative analytics. So definitely, a technological benefit with an ongoing ongoing business opportunity for us.

Operator

And we'll take our next question from Shaul Eyal with TD Cowen.

Shaul Eyal TD Cowen, Research Division - MD & Senior Analyst

Congrats, good to see the ongoing stability in the business, great progress also on the governance front. My first question, Yossi, is actually on the pipeline. How would you characterize the pipeline? Is it close to record levels? Also, did most of the slippage from the past probably year, did that already come back?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

I would say the following. First of all, it's a healthy market share. This is one. Second, the pipeline is healthy, especially as we look forward even beyond Q2 to Q3 and Q4. And I would even say that in the perspective of 2023 and beyond, we feel very confident right now in something that I can say is scalable, can grow as we expected and relying among others, on a very stable pipeline.

When it comes to what we were facing in the past, I said all the time the market is healthy, and we had to upgrade and correct some elements which are related to our go-to-market. We did in the U.S.A., in EMEA, and we feel, I would say, also very comfortable in the combination between the existing pipeline, the pipeline health and our ability to execute with our go-to-market organization.

Shaul Eyal TD Cowen, Research Division - MD & Senior Analyst

Understood. Understood. And my second question. So Magnet Forensics, as we all know, was merged with Grayshift, Thoma Bravo pursued both these transactions. I know it could be early days, you'll see, but have you witnessed any change within the competitive landscape?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

No major change in the competitive landscape, specifically to Magnet and Grayshift as spoken last quarter. One, that merge anticipated actually right now practical happening merge is good for the market. It shows the attractiveness of the market. It was not a surprise for us. Those entities were as standalone collaborating with each other at the past. I also say that the merge reflects actually the value of Cellebrite because it was, among others, based on the importance of the mobile as part of the entire scheme.

Back to the question about the changes. So no changes, not there and not in general. We continue to see smaller competitors from time to time that attempt to match elements of our product strategy. Our investment in innovation, I would say, the strong customer relationship that we have and our ability to scale our position. We need to continue with our plan. And we believe that 2023 will be an important progress in that respect with our competition. We need to do our thing.

Operator

And we'll take our next question from Tal Liani with Bank of America.

Tal Liani BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst

Private sector, you mentioned new sales initiative and growth in the private sector. Can you give us a little bit more details, first of all, on your efforts to drive growth and opportunities, et cetera?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

So obviously, look, private sector, I would say, private sector revenue in Cellebrite was and still is slightly below the 10% of our total quarterly revenue. We believe that the current growth rate is substantially with good potential, and we have the ability to accelerate based on the current offering that we have. Again, it's collection, it's remote collection. And there is also some moves that we are doing in order to collaborate with additional partners within the industry.

I would say that maybe a little bit about what drives deals over there on the deal size. So in the public sector, by the way, similar to the -- in the private similar to the public, deal size for the private sector customers is a function of products which are needed and the numbers

of licenses. And even, I would say, larger corporate customers will generally require far less licenses for their IT and legal teams involved in conducting investigation.

So the largest enterprise are stuff similar to the forensic club or I would say, by the small to midsized customer in the public. And as such, what I want to say with that, you will continue to see weak, we'll continue to see the growth. It's not the pace of growth that we see in the public. But one, we are satisfied with what we see. I also mentioned that we upgraded the sales team, sales leadership over there, and we've got right now a team that can scale this up. It will stay around the 10% of our activity into the future as long as we operate organically. But it's good because the entire price grows and the pie of the private sector as part of our activity growth as well.

Tal Liani BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst

Got it. I have a second question with your permission. You talked about -- in the last 2 quarters, you talked about deal slippage this quarter is very strong. Are you still seeing slippage of deals? And can you speak generally about how macroeconomic conditions are impacting projects and scrutiny of projects?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

I'll start with the second part. We do not see any macroeconomic elements, which are disturbing the business at the moment. I would say, on the contrary, we spoke in the past about fears from defunding. Now the context is between funding to refunding of police. Slippery deals were mentioned last year, and it was in the context of our ability to close and bring it to the end and timely manner, especially by large deals, which tends to be lumpy. I believe that right now, I don't believe I'm sure that right now, if we look at it, we're in a much better shape.

Maybe to emphasize the last statement, the reasonable dependency in Cellebrite on that big large deal or that big project. We have a very good balance, and it's very good for us in terms of business or risk management in business. There are increasing -- there is an increasing number of large deals. But those are not mega size deals which were independently on the entire quarter. And they improved side-by-side with our ability to continue growing with this transactional business by those thousands of long-tail prime customers in the state and local government. So less lumpiness, diversified environment and small dependencies on mega large deals in order to meet the targets. We're in a good shape there.

Operator

And we'll take our next question from Doug Bruehl with JPMorgan.

Douglas Jonathan Bruehl JPMorgan Chase & Co, Research Division - Research Analyst

So looking at your ARR slide and seeing that growth over the past year, really driven almost entirely by expansion of revenue. What products and services are you seeing the most strength in for that expansion component?

Dana Gerner Cellebrite DI Ltd. - CFO

So maybe I'll take it, Yossi. Predominantly from a volume and dollar perspective, the Collect and Review being our major installed base is driving most of the growth with further penetration of our advanced collection capabilities in the shape of premium solutions. We do see faster ARR growth with our investigative analytics and the Guardian solutions. But as they are coming from a smaller basis, the impact of the total dollar amount and the mix and the average ARR growth is marginal currently.

Operator

And we'll take our next question from Jamie Shelton with Deutsche Bank.

Jamie Shelton Deutsche Bank AG, Research Division - Research Associate

Congrats on the solid execution. It's great to see the launch of Pathfinder X. And you've touched on it briefly, but if you could talk to recent Pathfinder momentum as well as any additional color around contribution and growth today? And I guess, more importantly, where you think this could go over the next few years? And I've got a quick follow-up.

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Dana will take it, maybe at least for a start. Look, although Pathfinder has been available for several years, it is only with the past, I would say 2 years that the product has achieved the level of functionality to gain traction within customers. And we've closed dozens of Pathfinder deals over the past year as we, I would say, cross-sell and upsell this offering in our installed base. And in Q1, by the way, we highlighted 3 customers bill that included Pathfinder.

Pathfinder position Cellebrite very strongly in almost some kind of sole source offering when it comes to the investigative world. It is a BI, which is dedicated to the way an investigator operates. It is also a great opportunity to take the -- especially in unique way data is being collected with our Collect and Review and then analyze that large amount of data in order to get to the evidence as quick as possible.

Now it will -- we anticipate that it will boom in the future in a positive context, a significant growth. It is involved, selling that is involved with longer sales cycle. It is involved with changing sometimes the mode of operation of the customer. But as I look at it, we continue to look at it as a significant growth opportunity for the investigative segment and definitely a relative advantage for us.

Jamie Shelton Deutsche Bank AG, Research Division - Research Associate

And just a quick follow-up. Can you provide us what percent of your UFED base is now connected to premium enterprise?

Dana Gerner Cellebrite DI Ltd. - CFO

I'll take it. So I would say that we are -- it's the mid-teens in average of connected usage with senior enterprise.

Operator

(Operator Instructions) We'll take our next question from Louie DiPalma with William Blair.

Michael Louie D DiPalma William Blair & Company L.L.C., Research Division - Analyst

Following on my colleague, Jonathan's question, is there a potential for you to forge commercial partnerships with some of the generative AI vendors like open AI or Google to integrate those systems with your Physical Analyzer and perhaps like upsell that like AI capability to your current installed base?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Look, in general, collaborations are always possible, but one needs to remember that we are dealing with investigators, and we are dealing with investigative data. And it is important for us also to, let's say, to keep the knowledge in out and make sure that we are giving something which is reliable, closed, contained and stable enough. The investment that we do in AI has been primarily focused on developing our machine learning models, including those 4, I would say, media and topic classification. And obviously, we'll continue to explore ways that I would say, open source-based AI models can complement our own capabilities and, let's say, further enhance and support the solution. So yes, for the auction, but we'll see into the future.

Michael Louie D DiPalma William Blair & Company L.L.C., Research Division - Analyst

Great. That makes total sense. And another question. Many vendors in public safety have implemented price increases over the past year in this inflationary environment. Did you increase the pricing on any of your key products? Or is there the potential for you to do so in the future to add to the existing core growth?

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

So first of all, yes, there is an option for an ongoing price increase. In addition, we actually just now increased the prices in the public sector for our Collect and Review and investigative analytics in the beginning of Q2. So the activity in Q1 didn't basically was not affected by that. The statement is, by the way, valid mainly for the U.S. or the Americas because in the beginning of the year, we did some modifications in the pricing to Europe based on the currency exchange, currency rates.

Into the future, and since you are talking to a company which is facing its growth mainly on growing within the existing accounts, existing logos and focusing on strategic mid-high and the large federals, we intend or we think that we can see continuous price increasing for the value that we bring into our solutions. So it is also part of the strategy for the future to come. And to sum it up. So yes and yes.

Operator

This concludes the Q&A portion of today's call. I would now like to turn the floor over to Cellebrite CEO, Yossi Carmil, for additional or closing remarks.

Yossi Carmil Cellebrite DI Ltd. - Founder, CEO & Director

Okay. So thank you again, everyone, for joining us. Thank you for the questions. And thank you, especially for the Cellebrite employees for a great Q1 and good luck to us in the rest -- for the rest of the year. Thank you. Have a great day.

Operator

Thank you. This concludes today's Cellebrite First Quarter 2023 Financial Results Conference call. Please disconnect your line at this time, and have a wonderful day.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023 Refinitiv. All Rights Reserved.