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TeamViewer - preliminary results 2019

{Event ID} – 40 Min

10 February 2020

PRESENTATION

00:00:04 Operator

Ladies and gentlemen, welcome to the TeamViewer conference call for the preliminary results of 2019; at our customers request, this conference will be recorded. As a reminder all participants will be in listen only mode. After the presentation there will be an opportunity to ask questions. If any participant has difficulties hearing the conference. please press star zero on your telephone for operator assistance. May I now hand you over to Carsten Keller, Investor Relations?

00:00:35 Carsten Keller

Good morning, ladies and gentlemen. Thank you all for joining TeamViewer's earnings call for the full year 2019, preliminary results. With me, our CEO Oliver Steil and our CFO, Stefan Gaiser. They will guide you through our results. Following the presentation, we are happy to take your questions. Before we start, let me remind you of the cautionary note regarding forward looking statements that you can find on page two of the presentation. Let me now hand over to Oliver.

00:01:01 Oliver Steil

Thank you, Carsten. Good morning to all of you. Before Stefan presents the figures in detail, let me provide you with an overview of the business. As you can imagine, 2019 was a very important year for our company. We did the IPO in September. And then just three months after the listing, we became part of the MDAX TecDax indices, which established us pretty firmly in the capital markets, so that was very important from a capital markets perspective. But at the same time, it was a very important year also to execute on our growth strategy. As we remember, our initiatives fall into three buckets. One is expanding used cases, growing into all customer segments, especially enterprise segment, and then increasing our global reach to more local operations in strategic markets. And so all of that from our perspective, worked out very well. We continue to see strong growth. We keep our profitability. And we also see that through all the initiatives that we are pursuing, there is quite some upside that we‘ve seen to come through. Our market is huge, addressable market is huge. So we continue to see lots of under-penetrated areas. Our customers are investing more and more into digitalization and that is a clear tailwind for our business. So we like our market environment and within this market environment we are expanding our connectivity platforms, but we are adding functionalities and used cases and that's actually providing even more of the solutions that customers need. And I think our successes in 2019, they underpin our strategy, our growth initiatives and show that we are pursuing the right initiatives there.

So if I go to page four, just highlighting a few key points of our business in 2019. So first of all, of course, the growth: continuous growth momentum in the fourth quarter continued. That resulted in overall billings growth of 41% year over year to 325 million, that slightly exceeded our guidance. What is very important for us is that our new product initiatives are starting to bear fruit, but we had a billings contribution in 2019 of 16 million, which is in absolute terms of course still small relative to the 325. But as part of the new billings, this is important. And of course it's showing very significant growth, which is very good from our perspective. At the same time, apart from new products, subscriber growth was very strong, 71% year over year. Got to a level of 464000 subscribers at the year end. The net retention rate remains on our operational target level. And we see continued low growth churn. But Stefan is going to go through more details.

Healthy growth as expected. At the same time, we delivered on our envisioned profitability, clear economies of scale. And you remember our very efficient go to market model where we used three users to convert them, to monetize, and addressing all the other segments. So with that, we achieved then adjusted EBITDA growth of 51% year over year, landing at 182 million, upper end of the guidance as well. The margin came up to 56%. That's 3.5 percentage points above 2018 level. Remember we told you that in 2018 was an investment year into, for example, enterprise sales force. And we were saying that some of that will revert. And it actually did. And we kept our very high cash conversion at 94%, which provides high financial flexibility to deliver the business and also pursue our internal or external growth opportunities. Talking about top line, three buckets of initiatives, as I mentioned before. First of all, strengthening our customer segment coverage. That's actually two elements. One is moving up the segments into Enterprise. The other is moving to the SoHo segments, so for Enterprise we have been … we continue to invest more and more solutions and used cases driven for enterprises. And this leads to two effects. One is that we see more deals above 10000 euros. So what we call larger deals across the organization, and on the other hand, we also see at the top end of the deal a larger contribution. I'm going to talk about that. So that's very successful. Of course, in order to be able to do so, we move more into operations technology, we move more into to IoT used cases which is needed by the enterprise. At the same time, we also develop our remote access product, which is fundamentally geared for SoHo's, so individual people connecting to their office space. And we have progressed the roll-out there in line with our new ERP rollout. So very pleased with the segment coverage successes.

Secondly, geographic expansion, I highlight two things: One region where we invested a lot in previous years is the Americas. But we ramped up the office staff and also the sales force there. And that has been bearing fruit in 2019, a substantial step up, 110 million billings, 59% up year over year. So very successful. We continue to invest into this market, especially also in the Enterprise segment. And then secondly, our move into more strategic countries, specifically APAC. You remember that we opened offices in China, India, Japan. Clearly, 2019 was a foundational year for that. But we are also seeing progress in these regions. Last but not least, constant used case innovation. We continue and will continue to invest into R&D to make our product usable in more areas. Important to call out for 2019 I would say is the progress in IoT solutions for their innovative applications and also our augmented reality product called TeamViewer Pilot, which gained some traction already in the first twelve months, which is something which the company never really had before, that there is significant traction already in early years, and that shows our ability to cross-sell now that we are done with the subscription migration. We also prepare for faster growth in R&D. We just opened an office in Greece, a new R&D hub to be able to tap into the talent pool in more areas, in addition to, of course, our locations in Germany and Armenia. I'd like to turn to turn page five to our growth. Important to note that the 2019 billings of 25 million were substantially driven by our subscriber growth as well, which now got to 464000 at year end. We do see low churn. And based on the new products, which I mentioned before, we have more opportunity to cross and upsell into our existing customers. And that creates stability in our billings while our growth initiatives and effective conversion matter have attracted an added 174000 new subscribers, which translates into 98 million of new billings for the last year. Very important.

What is also important for us, if we go through Page 6, is specifically the Enterprise segment. I think you all are very well aware of our kind of high/velocity subscriber growth model. The funnels from three users to monetization. What is newer to all of us is the Enterprise segment. I think you remember that we only had a full Tensor version available at the beginning of last year. So effectively we see the development over the last 12 months here and two statistics we'd like to call out, number one, which we also mentioned before, is the deals with an annual contract value above 10000k. If we look at this number on an LTM basis and we compare December 18 year end with December 19 year/end we see a 67 percent growth. So 698 deals. Why is that important? It shows that our largest sales channel, which is Inside Sales, it shows that these people, the sales reps, are getting more and more used to selling larger ticket items. You remember that a lot of the activities of those people in the past was around 3000 to 5000 EUR. Now, more of them are constantly selling tickets of 15 K, and that is reflected in this statistics. So we like the development there, because it shows that the enterprise traction is pretty broad across our organization. A second KPI which we show here, which is the top end of our deal pipeline as we get many questions around the top end deals, how big they are, and the topics and so forth. So we put together a KPI with the top 50 deals accumulated in annual contract value, same timing here, comparing end of

December 2018 to end of December 2019. You see also 60% growth fourth quarter, so 3.4 million looking backwards 12 months is the contribution of the top 50 deals. And we are also very pleased to see that this development continues actually to accelerate in 2020. So we intend to give you regular updates on these statistics to show you the traction of the Enterprise activities.

And then lastly, Page 7, just to summarize, net of our performance Q4 billings, 18 to 19 plus 34%, 100.6 million in billings. That was a strong contribution to the overall billings number 41%, slightly above guidance for the billings number and then adjusted cash EBITDA. One note, this adjusted cash EBITDA is defined exactly as is the cash EBITDA we were talking about in the past. So a consistent set of KPIs here, Q4 step up of 46% up to 62.6 million with this Q4 adjusted EBITDA margin of 62.2 percent for the full year that is 51 percent step up and the margin landed at 56 percent nicely above the previous year. And with those snapshots. I'd like to hand over to Stefan, who is going to do the details, the discussion of the financials.

00:12:20 Stefan Gaiser, CFO

Great. Thank you very much, Oliver. Good morning from my side as well. I'm pleased to provide you with the details on our strong financials, which Oliver just read for the past year, which are pretty much in line with the preannouncements from early January, billings increased by 41% to close to 325 million euros now. Q4 billings amount to just slightly above 100 million, which corresponds to a 34 percent increase compared to Q4 prior year. We clearly saw a very strong growth across all regions, with the Americas continuing to grow at the fastest pace in 2019, showing a very healthy 59 percent growth for the full year and 55 percent growth in the fourth quarter. So as Oliver mentioned we clearly see the benefits of the investment into local sales and marketing if you combine that with the strong execution from the local team, this led to this overall very strong billings growth in the Americas. Also very good performance in EMEA. We experienced continued growth across all major territories in 2019, including larger home markets like Germany, Austria and Switzerland, but also UK and Southern Europe. We significantly added additional salespeople across India, especially in the Enterprise segment and now we basically have sales on the ground in all major markets across India, that clearly wasn't the case two years ago. And then coming to APAC – APAC billings growth is mainly driven by the increased penetration of our local markets, it’s the opening of the offices, which I mentioned a few times in China, Japan and India. Maybe worthwhile to point out that during Q4 we had a particularly strong quarter in Japan, accelerating growth there and that country nearly doubled its billings quarter over quarter. So very, very good start there.

Allover contribution from APAC is still relatively small. But if you take the current growth rates, which we clearly see that we are getting increased traction in those markets and the rest of the APAC countries continue to grow nicely as well. Now, if we move on to the next slide, the slide showing the billing split between perpetual and subscribers, retained subscribers and new subscribers, you can clearly see that the seasonality of all billings is starting to fade now. 2019 was clearly marked by lots of volatility in our quarterly billings growth. Now that we have concluded our transition from the perpetual license to subscription model, that will be more evenly spread going forward. Billings in the fourth quarter of 2019 are now largely driven by retained customers who contributed 72.9 million euro in the fourth quarter. Given the large renewal base in Q4, I'm particularly pleased, or we were particularly focused on strong customer retention. And it's been a great success that our cross churn remained stable at high single digit in the fourth quarter. So in addition to our strong contribution from the renewal base, almost a quarter of the billings was contributed by new subscribers or new business. So overall a very strong performance in the fourth quarter.

We turn to the next slide: Cash, EBITDA or adjusted EBITDA, as we now call it. If you take a look at our profitability, the strong growth in billings, coupled with very strong scale effect across all functions and combined with our efficient go to market model led to this very strong growth in adjusted EBITDA, as you can see on that slide 11. For the full year, adjusted EBITDA is now recorded at 182.1 million at the other end of the guidance, compared to 120 million in 2018, Gross Margin increased nicely to 92.5%. And as Oliver already mentioned, we invested substantially across all functions, predominantly in 2019 into sales and marketing. But also research and development now with the latest office opening in Greece. Our sales and marketing grew by nearly 50% in 2019, driven clearly by the enterprise expansion, but also inside sales and general sales across EMEA and APAC. We also significantly increased, especially during the end of the year, our engineering resources. However, due to the efficient customer acquisition model, total calls grew overall slower than billings and hence resulting in an adjusted EBITDA margin improvement now at 56% compared to 52% in 2018. Also within G&A we continue to invest it on our infrastructure, into our new ERP system and we also ramp up in medicines needed now as a public listed company.

Let's turn to cash conversion on the next slide. Very strong quarter, I would say, in terms of cash collection. Clearly a very asset light business model and very low working capital requirements. And as a result of that, most of our adjusted EBITDA converts nicely into cash flow; made a particularly strong quarter in terms of cash generation driven by the adjusted EBITDA growth as well as good working capital management. Our pre-tax free cash flow amounts to 61.9 million for the fourth quarter 171.5 overall for 2019. Capex in the fourth quarter 8.5 million and for the full year slightly above our guidance at 16.6 million. This is primarily driven by our new headquarters, as we mentioned, and the implementation of the new e-commerce and accounting system. Conversion rate remains particularly strong with 99% conversion rate in the fourth quarter and 94% for the full year. So overall I believe a very good benchmark for within the industry, I think the next slide wraps this up nicely, the updated financial model, if you take a look at our free cash flow conversion. For every dollar we generate in billings, we basically generated 53 cents in free pre-tax free cash flow. So very strong pre-tax pre free cash flow generation in 2019. And as a result of that, our leverage also decreased nicely. We mentioned during the year that we should be at around the 3.0 mark. We've achieved exactly that. Leverage decreased to 3.0 times in 2019, exactly in line with our expectations. The interest-bearing financial liabilities are now at the kind of 616 million at the end of 2019, which basically consists of 559 of bank loan and 21 million euros of capitalized operating lease obligations. And if you take a step back and take a look at our free cash flow generation and the adjusted EBITDA growth, we expect that our leverage will be significantly below two times at the end of December 2020.

Now let's move to the year ahead of us, with 2019 in the bank let's take a look at our outlook for 2020. Given the continued net retention rates north of hundred percent and our expected new subscriber growth earned by the underlying market growth and dynamics, as Oliver mentioned in our very tangible growth levels, we are targeting our billings to be in a range of 430 to 440 million euros, with the transition from perpetual licensing to a subscription based model pretty much completed, revenues will now no longer outpace billings as we have rolled off a material amount of the remaining perpetual deferred revenues on the balance sheet now. We have a remaining amount of roughly 50 million of perpetual deferred revenue on the balance sheet. So as a result of that, revenues is expected to be brought in line with billings and in a range of 420 million to 430 million euros. Now, in terms of adjusted EBITDA, clearly we continue to invest with a similar capital allocation as in 2019. We invest into our growth initiatives, into sales and marketing, the new used cases, geographic expansion and new products and therefore adjusted EBITDA is expected to grow in line with our billings growth and should reach 240 million euros to 250 million euros in 2020. And then lastly, let me point out capex for 2020. We expect Capex to be around 25 million euros. This increased level continues to be attributable to the construction of our new headquarter in Göppingen where we're going to move in two quarters time and the introduction of this new ERP system, which will be completed by summer 2020. Beyond 2020, I then expect Capex to be significantly lower again around the levels of 2018, 2019. And I think, with that I conclude our presentation and now we're happy to take your questions.

Q&A

00:20:43 Operator

Thank you. We will now begin on question and answer session. One moment, please, for the first question. And our first question comes from the line of Adam Wood from Morgan Stanley. Please go ahead, your line is open.

00:21:19 Adam Wood (Morgan Stanley)

Hi. Good morning and thanks for taking the question. I've got two please. Maybe just first of all on the enterprise side of the business. Clearly, that's performing very well. You are having a lot of success here. Could you maybe talk a little bit about what the pipeline looks like at the start of 2020? A little bit about the hiring plans you have on the direct side - geographies, numbers. And then maybe just dig in a little bit onto the use cases that you see gaining the most traction, where you see that enterprise business resonating the best of customers. That's the enterprise section. And then maybe just secondly on the margin guidance. You are obviously investing at the same pace of billings growth, when you have such strong billings growth, it implies a pretty significant rate of investment. Could you talk a little bit about your ability to invest at that pace, given it's going to be ahead of what you are doing in 2019? Where's that investment going in? And if there was to be upside on billings, would you allow that to fall to margin or would you actually increase the pace of investments that you are making in the business? Thank you.

00:22:21 Oliver Steil

Thank you. I start with the Enterprise question. So, yes, as you say, good traction. We are very happy with the pipeline for the first quarter and second quarter that we see. So that would mean significant growth for the year. I think we're going to disclose more once Q1 is done, but as you see from the stats that we've provided that already, January, is providing a nice uplift on this one. In terms of use cases, this is really very broad. There is a kind of stream through the pipeline discussion that we have on a weekly basis. There is still here and there just broad IT support across the organization, but there is also significant discussion around remote management of IT and OT equipment connecting into some kinds of devices which are non-office devices and then, depends on the sector then, whether it's equipment, medical equipment or retail IT equipment or the machinery. So, it's very broad, I would say, but this kind of case of remote IT/OT management is where it centers around, I would say. Hiring phase, we have actually put forward hiring direct enterprise reps for EMEA last year. I think we are now at a total of 25 in EMEA. We have also hired the first few people for the Americas, towards the end of last year, and will be ramping that up. We have enterprise people in China, a few, we have a couple of people in Australia, we have a small team in Japan. So it's all very much centered around enterprise. These new offices, around enterprise and reseller, we are continuing with that pace. I think we said, as we gave you the guidance, that by the end of this year, easily 70 people globally and then continuing from that base. So overall, very brief, very broad development.

What we do see is, I should say in EMEA, we are ahead in deal sizes. So the larger deal sizes, six-digit deal sizes are more regular happening in Europe, not yet in the Americas. America is still focusing more on what we call mid-market, typical deal sizes are 30 to 60 K, but that's also moving up and it's kind of lagging the development in EMEA because in EMEA we hired those people a few quarters earlier and therefore the pipeline is converting, starting to convert now versus Americas where we will need a few quarters to get that going.

00:25:19 Stefan Gaiser

And then maybe, Adam, let me take a question regarding margin expansion and strategic investment areas for 2020. Clearly, 2019 was very much focused on sales and marketing expansion, especially around the enterprise segment. That may be slightly more bias towards R&D in 2020. I think from our customer engagement level, we have significantly advanced now in terms of our engagement, especially around the enterprise customers, and therefore we will accelerate our R&D investments. That is also one of the reasons why we opened up this office in Greece where we are pretty excited about. So you can expect a significantly higher headcount in R&D or higher headcount goals in R&D compared to 2019. Clearly, sales and marketing will continue to grow, as Oliver just mentioned. And if we see that we get additional traction around any of those additional use cases or geographic expansion plans, any additional upside on billings would certainly be reinvested into additional growth levers if we find them. And it was also the case in 2019, as we pointed out a few times.

00:26:24 Adam Wood (Morgan Stanley)

Perfect. That is very clear. Thank you.

00:26:28 Operator

Our next question comes from the line of James Goodman at Barclays. Please go ahead. Your line is open.

00:26:35 James Goodman (Barclays)

Yes. Morning. Thank you. Firstly, just following up on the margin question. So, if you could just comment a little bit on the phasing of margins through next year, because this year we saw, if I remember correctly, you know, much, much more margin expansion in the second half. And then, just in terms of the 60% medium term guidance that you have for margin, does that still stand as is? And this is just a question of the shape of margin progression between 18 and that. And then just secondly, on the CapEx, I may have missed this slightly here, but just in terms of the additional 10 to 15 million in CapEx vs. what we are talking about previously: is that mainly the ERP system that is incremental there or is it a sort of expansion of spend around the HQ? And if you could just reiterate what you are saying around that coming down the year after, this is just a one off spend around an ERP system, is it? Thank you.

00:27:37 Oliver Steil

Thanks for the question, James. First of all, around the margin expansion. Clearly, 2019 was much more volatile in terms of margin expansion, but also remember that we are comparing perpetual prior year quarters with subscription quarters, so that makes a bit more difficult. The margin expansion will be pretty much, or will be more stable, or equally balanced throughout the year. Clearly, Q4 will continue to be the biggest one in terms of EBITDA contribution because that's where we have a significant amount of our customers renew their contract. So that will remain the biggest quarter for us in terms of overall margin. Then, beyond that, 2020, I don't see any need for change in the guidance. Clearly, if we see continued growth opportunities, we will accelerate our investments. But it's very much in line with our financial envelope, which we developed together with you during the IPO. And then maybe in terms of CapEx, the 25 million, the biggest deviation comes from the new headquarter. If you break this down, the 25 million, 8 million of that relates to the headquarters and seven to eight million relates to the ERP system. Both of those topics will largely disappear in 2020, and therefore, the normalized Capex in the 10 to 15 million range.

00:28:53 James Goodman (Barclays)

That's great. Thanks. And just to sort of phrase the question a little bit more straightforwardly: you are effectively saying on the margin next year, effective the year on year progression in adjusted EBITDA will be quite evenly balanced between the quarter development unit. Yes. Great. Okay, that’s clear, thanks.

00:29:10 Stefan Gaiser

I just want to point out that Q4 remains the biggest quarter in terms of all the most important ones, in terms of all EBITDA contributions.

00:29:16 James Goodman (Barclays)

Yes, very clear. Thank you.

00:29:27 John King (Bank of America)

Yes, thanks. Good morning, everybody. Couple of questions, please. Firstly, on the sales productivity that you've seen, obviously, in the last 12 months, there's been a big step up, I guess, given the subscription transition and the fact that that allows you to focus as a team much more on new sales rather than renewals. I just wonder, as you lap that transition, is there a risk that is a onetime gain in productivity that you've annualized? I guess, the question is, what are the further sources of upsides, the sales productivity you can drive? Or do you think that ultimately that was a big step forward, that to some extent unrepeatable? And then the second question was on the enterprise. Thanks for the details you provided on Slide 6. Can I just confirm? Well, check one thing that the customer ACV above ten thousand euros. Presumably not all of those deals are Tensor since she had over 400 of these a year ago when Tensor had only just launched. How much of the incremental comes from Tensor deals? Thank you.

00:30:37 Oliver Steil

OK, so on sales productivity, I think there are two things to look into here. One is the migration of customers from perpetual to subscription licenses, which is now largely done. So in that sense, the productivity improvements, if you want to allocate any to this, that's done. What is only starting really is that the inside sales and especially, this is driven by inside sales, of course, what is only starting is the significant cross sell and upsell activity, especially cross sell of these inside sales people, so I think, as we said last year, 19, the contribution of new product initiatives was 16 million. And while that is gaining traction, nicely gaining traction, it is still low in absolute terms. And if you look at the different products, the different separate licenses that we have, Tensor, Remote Management, Pilot, so each of them is a few million contribution, which is great. But it is by no means that this productivity gain is already factored into our go forward number. So there will be much more coming. The whole compensation system, goaling system will now be transferred into something which is very much geared to these new products and the Tensor product also for inside fields. So we feel very good about what is yet to come there. And we are adding products which allow for cross-sell opportunities. So that's how I would see it. Enterprise, you are absolutely right, some of the deals that are around 15, 20 K are actually not Tensor deals, but corporate licenses with add on channels, but also at a higher price point because the fact that Tensor is out there often yields discussions around additional functionalities for customers and then a discussion around Tensor and often that then results in a Tensor sale, which is significantly higher in terms of ACV than the old deals. But sometimes customers also say, well, OK, I understand the Tensor functionality, I still don't fully need it, so can I get another in-between year for a corporate license with unlimited endpoints, because I'd like to continue to do that. But that also comes at the higher price point. So there's a positive halo effect from the Tensor product which we have there. I think overall Tensor contribution last year in terms of billings was around 7 million. So that gives you an idea that is the largest contributor among these 16 from new product initiatives, but it has a broader increasing ACV effect as well as.

00:33:30 John King (Bank of America)

Got it. Thank you.

00:33:41 Stephan Klepp (Commerzbank)

Yes, good morning, gentlemen. I only have one question and I was wondering if you could give us some granularity about your billings growth. I mean, you are guiding for 32 to 35%. How do you think about that in terms of verticals, regions, client clusters? Thank you.

00:34:01 Oliver Steil

So in terms of the regional billings growth, I would expect all regions to be much more similar in their growth pattern compared to 2019. Now we also compare really subscription year with a full subscription year and not with a perpetual year anymore. Clearly, I would expect APAC to grow the fastest in terms of percentage growth, then probably followed by EMEA or Americas. They should be pretty much at the same pace, give or take. So that's a regional growth perspective. I would say, within the use cases, clearly the enterprise segment and especially there the IoT and OT applications should drive significant growth, as we have seen also in 2019. That should be one of the key growth levers there as well. And then also the new products which we released, the virtual reality, the pilot product and remote access and remote management should be additional growth drivers in 2020, which are clearly outpacing the other growth levels we are having.

00:35:02 Stephan Klepp (Commerzbank)

How do you think about enterprise growth then in comparison to, let's say, the user growth, I mean, last year, I think it was more than 20 percentage points higher growth in enterprise or let's say your deals above 10,000 per annum? So, do you still believe that you can keep on that pace? And I was surprised that you say EMEA and U.S. should be probably at the same percentage, because in the U.S., there must be probably a lower base and those larger deals, and you're just starting to employ those sales execs or basically started hiring those sales executive there.

00:35:37 Oliver Steil

Yes, that is the reason. So, especially in the Enterprise segment, we clearly see continued acceleration of growth. So that should be actually accelerating in 2020. Remember that most of the enterprise investments were done early 19, mid-19. So now we have a fully-fledged sales operation, especially in EMEA. So if they've already built their pipeline and that will now result in accelerated billings growth in the Enterprise segment in EMEA, as we have already seen in Q4, frankly. As you mentioned, America is slightly behind. We only had that mid-market team basically. So they have ramped up their enterprise sales team during Q3 and Q4, but they now still build their pipeline and start converting in basically early 2020. So that's one of the reasons there you see faster enterprise goals in EMEA compared to Americas, and that might result overall in faster growth in EMEA. But it remains to be seen. So they should be pretty similar growth regions, for us.

00:36:31 Stephan Klepp (Commerzbank)

OK. Thank you.

00:36:44 Mohammed Moawalla (Goldman Sachs)

Great. Thank you very much. First of all, on Enterprise, can you perhaps talk about augmenting the inside sales and the direct sales with potentially partnerships with other vendors in that kind of IoT space to further accelerate growth? And then secondly, Stefan, I just missed what you said on gross renewals. I know the net renewal rate has kind of dipped a little bit towards the end of the year, but can you just confirm where the gross renewal rate is tracking?

00:37:20 Oliver Steil

And so I will take the first one on the partnerships. So, a fair point. I think what we will see over time is that we will work more with partners for larger deals and more use cases across the whole business. So that can be systems integrators or (partial?) systems integrators for some parts of the enterprise pipeline, larger distributors, IoT partners, so there is more coming there. And I think it's clearly based on the fact that now, for one year we have the Tensor product and we have much more available in for more use cases. So that's starting. I think we remember the discussion that we had that we work with partners for quite some time. Sometimes these partners are focusing, or have been focusing in the past, on reselling of lower level licenses, business and premium licenses, which strategically, it is not what is valuable for us, but we actively steering that away to corporate licenses. And then of course, we engage on discussions around Tensor and IoT. So there will be more to come, but there hasn't been anything substantial in the figures of 2019. And I think it will take some time to ramp up.

00:38:29 Stefan Gaiser

And then maybe just on gross renewal, gross renewal remained stable at 8%, in particular strong cycle given in the last renewal base in Q4. So we've been able to keep that at a high single digit of 8%.

00:38:43 Mohammed Moawalla (Goldman Sachs)

Great. Thank you very much.

00:38:46 Operator

There seems to be no further questions, so ladies and gentlemen, thank you for your attendance. This call has been concluded. He may disconnect.