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Moderator: **Michael Lönne**

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Operator: Good day, and welcome to the TeamViewer AG Q2 2022 Results Call, and Webcast. Today's conference is being recorded. And at this time, I'd like to turn the call over to Michael Lönne. Please go ahead, sir.

Michael Lönne: Good morning, and welcome to TeamViewer's Q2 2022 earnings call. I'm Michael Lönne for Investor Relations. And I'm joined by TeamViewer's CEO, Oliver Steil; and CFO, Stefan Gaiser. They will now present our business and financial update for the second quarter of 2022. As always, the presentation will be concluded by a Q&A. Please pay attention to the note regarding forward-looking statements on page two of the slide deck. Oliver, over to you.

Oliver Steil: Thank you, Michael. Good morning. Thank you for joining TeamViewer's Q2 Earnings Call. Let me start with an update on our business highlights, which is then followed by Stefan who will guide you through our financials in detail. Let's begin with a high-level summary. As you can see on this slide, in Q2, we achieved double-digit Billings growth, and Revenue growth, and a strong adjusted EBITDA margin above market expectations.

The same goes for the first half. Again, double-digit Billings and Revenue growth, and a margin above expectations, also slightly above our full-year guidance. Given the overall current economic and political environment, our results are solid. We remain confident in our future growth trajectory, and our strategy also works in the current environment.

We continue to grow and do so very profitably. This is particularly true for SMB, where the resumption of our monetization campaigns resulted in a 10% billings increase compared to Q2

2021. So, a major uptick from the 4% year-over-year growth that we saw in the first quarter. But obviously, like many other firms, we began to feel the effects of the current macroeconomic uncertainties and geopolitical tensions.

We see decisionmakers around the globe becoming more cautious. And we experienced tightened procurement processes resulting in overall longer sales cycles. This began to translate into a softer order intake for both of our business segments. Enterprise in particular saw slower-than-usual pipeline conversion.

But still the segment grew by more than 20%. We now have more than 3000 Enterprise customers. And we have a growing pipeline for Q3 and Q4. And as you know, the Enterprise business generally is leaning more towards the end of the year, and particularly to the fourth quarter. And TeamViewer remains in a strong position to navigate through the current headwinds in the second half of the year.

We are very profitable, and have proven repeatedly that we can maintain this profitability even in challenging environments. We further optimized our financial profile by strengthening our financing structure, which increases resilience and flexibility. We successfully concluded the cost optimization part of our ReMax program resulting in a further sustainable lowering of expenses.

We continue to win key customers, and to enter into high-level partnerships. And last but not least, we continue to record the highest growth rates in the largest ACV buckets, in both the SMB segment as well as Enterprise. And that clearly shows the ongoing shift of our business towards high-value customers.

So, we will most likely have to cope with ongoing lower visibility due to the economic uncertainties in the coming months, but we are well prepared. Fundamentally, the demand for our products and services remains strong. And if anything, the megatrends fueling our business model are getting even more relevant.

And with that, let's move to the next slide. Taking a quick look at TeamViewer's regional performance. So, the regional breakdown nicely illustrates the benefits of our globally diversified structure because the strongest increase in Billings on a year-on-year basis was recorded in the Americas.

Here, Q2 billings increased by 22% to €48 million, and by 20% to a €101 million in the first half respectively. Our strong operational performance in the Americas was also significantly driven by the US dollar appreciation against the euro obviously as seen by the comparison with constant currency rates.

In EMEA, like in the previous quarter, Q2 growth continued at a stable 8% year on year to a total of €69 million. However, the ramification of macroeconomic uncertainties and geopolitical tensions became particularly evident here, and consequently impacted our pipeline conversion. Our decision to terminate business activities in Russia and Belarus also negatively impacted Billings in EMEA in the first half.

Lastly, APAC is clearly challenging, and clearly not what we had expected. As you can see, Billings in Q2 grew slower by 4% year on year to €19 million. And our leadership team in APAC is continuously working on the transformation of the business. Remember our President, APAC joined at the beginning of December only.

However, new COVID-19 outbreaks and the lockdowns in several APAC countries, China in particular, temporarily slowed down sales activities. Hypothetically, if we would exclude China, then APAC would have recorded the same growth rates as EMEA. We are happy with the strategic path of our business and the changes we made, and therefore expect the business momentum to increase again.

If we go to the next slide, I mentioned large customer wins and strategic partnerships in my intro. And as always, let me provide some insights into three relevant additions to our Enterprise portfolio from the second quarter. So, firstly, we're really pleased to announce a strategic partnership with Siemens Digital Industries Software.

I think that's another example of how our technology helps digitalizing industrial processes. So, together with Siemens, we will innovate in the product lifecycle management space. With our AR platform Frontline, we allow Siemens' global customers to improve their product development process based on experiences with interactive 3D content, which is then connected to the digital twin of the product.

I think after SAP and Google Cloud, the Siemens partnership is the third really high-profile collaboration to expand our access to global tier-1 technology players. Let me continue with another example of leveraging again our mixed reality technology, which is also a part of the Siemens piece.

DB Netze is the railway infrastructure manager of Deutsche Bahn. And they use TeamViewer Frontline Spatial, that's how it's called, to train their employees in maintenance procedures. So, more specifically our solution enables the client to illustrate training rooms, and embed virtual information, including projections of technical equipment such as components or malfunctions.

And generally, we see that remote maintenance and virtual training environments gained a lot of traction during the beginning of COVID-19, and the pandemic, and clearly are here to stay. This is a promising growth market with increasing importance for more and more businesses and industries.

And let's conclude the customer spotlights with the customer Wendy's, as you know, the global restaurant chain with operations in 27 countries. While leveraging the potential of our AR platform Frontline, Wendy's can improve critical areas such as food safety and quality for instance by monitoring suppliers and complaint investigations.

In this context, the experts in Wendy's centralized restaurant support center perform remote product evaluations or supplier walkthroughs via smart glasses. In total, the mentioned partnerships and customer cases further demonstrate how TeamViewer solutions are increasingly integrated into different business critical processes at commercial customers around the world, clearly meeting their demand for solutions that foster digitalization of their operations.

With that, let me now hand over to Stefan.

Stefan Gaiser: Thank you, Oliver. And good morning to you all. It's my pleasure to guide you through the financial details for actually one last time in my role as TeamViewer CFO. As you all know, Michael Wilkens will take over my role as of September 1st. And actually, in the past few weeks and months, Oliver and I already touched base with Michael repeatedly to make sure that we have a really smooth transition.

And I'm pretty sure that from day one on, Michael will be up to speed with respect to all major strategic and financial topics. And just on a personal note, thank you all for the collaboration and very open discussions over the past years, which I really thoroughly enjoyed. So, now let me start with the financial highlights in terms of topline profitability and cash flow.

On slide ten, total billings, up 12% to a €136 million or 7% in constant currency rates, which then basically brings total H1 Billings to nearly €300 million, up 12% or 8% at constant currencies.

Also, double-digit topline growth from a revenue perspective with 12% in Q2 and 13% in H1 respectively.

Revenue growth is largely in line with our expectations even though we saw a softer order intake amid the macro headwinds Oliver already explained. In terms of profitability, adjusted EBITDA of €58 million as well as the adjusted EBITDA margin of 42.6% in Q2 was above market expectations, and clearly showing that we continue to successfully grow our business while maintaining strong profitability.

The H1 margin of 47.2% was actually slightly above our full-year guidance already. Free cash flow in the second quarter as well as year-to-date slightly down basically solely reflecting the blend of marketing partnership repayments which are pretty much front loaded. So, in H2, the second half of this year, we will see a better free cash flow conversion again.

Let's move on to slide 11, 12% overall growth as already pointed out, Total Billings is up 12%, which represents I'd say a robust quarterly development. That is clearly also due to favorable FX movements broadly in line with our expectations. If we take a closer look at the quarterly segment billings on the left, you can see the accelerated growth in the SMB Business, which is the effect of our monetization campaigns.

With that, we basically mean that we reactivated the paywall for commercial users within the free ecosystem. With a 10% Billings growth compared to last year's Q2, the second quarter saw a good Billings growth acceleration from my perspective. As I will explain in more detail in a second, this was also again driven by successful upselling of SMB customers into the higher ACV buckets.

If we take a look at the Enterprise billings, they increased 21% in Q2, and now amounted to a total of €27 million. And as you can see on a half-year basis on top right, Enterprise clearly remains the growth driver for the total Billings growth. From H1 2021 to H1 of this year, Enterprise contributed 53% or roughly €62 million to total Billings growth.

And between H1 2020 and H1 2021, Enterprise growth contribution only amounted to roughly a third. So, despite a somewhat slower Enterprise pipeline conversion, we are still seeing the ongoing mix shift in our maturing business. And in Q2, the Enterprise contribution to total Billings was 20% compared to 21% in the first quarter.

I think, the slowdown of the Enterprise growth rate reflects the aforementioned macroeconomic uncertainties. And to be more specific, we noticed that decision makers turned more to the cautious side amidst lower visibility. This led to extended deal cycles and also resulted in softer order intake for us.

I do not expect these macroeconomic uncertainties to disappear in the short term. But I want to emphasize that we have a growing pipeline for Q3, and the second half in total. But obviously at the same time, we have to take into account the aforementioned factors. Although, we remain confident with regards to our backend loaded Enterprise business.

Now against this background, new Billings on a quarterly basis shown on the bottom-right side slightly improved by €1 million compared to Q1 or €17 million. Let's take a look now on slide 12, a detailed look at our SMB segment. As you can see in the chart on the left side, LTM Billings in that segment developed positively on a year-on-year basis, especially considering the shifts between ACV pockets in Q2 with total LTM Billings amounting to €470 million, and an LTM growth of 8%.

So, as I was saying, the SMB Segment remained robust and I am particularly pleased that we saw continued upselling trends towards higher ACV buckets, clearly a proof for the attractiveness and importance of our solutions portfolio. The low end in the SMB Segment remains competitive.

But at the same time, the successful upselling fueled the growth in the stickier and higher-quality cohorts with ACVs over €500.

The segment above €500 and the segment above €1500 recorded the highest increase with 12% and 22% respectively. This trend towards higher ACV buckets is also reflected in the number of absolute SMB subscribers, which you can see on the right-hand side. The lowest ACV bucket below €500 decreased mainly driven by the exit of Russia and Belarus.

Both the middle and upper-end cohorts actually increased significantly by 18% and 20% year on year. And therefore, total subscribers finally amounted to 623,000 in the second quarter. Let's turn to slide 13. I think the key points here on that slide are the continued churn reduction. I think that's a very good and consistent development over the last few years, I think, and clearly confirming that we migrate to a stickier customer base.

The recorded subscriber churn rate in the SMB shown on the lower left-hand side was 14%. However, considering the effects of our Russia/Belarus exit which we mentioned earlier, the adjusted churn rate would have been slightly lower at only 13%, so, again, a very healthy development from my perspective that our customer base remains very stable.

The exit from Russia and Belarus will cost us about 10,000 subscribers overall over the full year. And again, just as a reminder as already noted in previous calls, we stick to providing the churn rate for the SMB. This is clearly the more meaningful metric for the segment as opposed to the NRR, which is very important for the enterprise business.

Moving on to the enterprise business, in Q2, that amounted to 20% of total Billings. On an LTM basis, those Billings rose by 62% to a €110 million. And as you can see in the upper left-hand side, the relative ACV bucket distribution remained almost stable year-on-year with the lowest ACV cohort, those between 10k and 50k, contributing roughly half of overall Enterprise billings.

The second-largest ACV bucket between 100k and 200k, in absolute terms, nearly doubled year-on-year to €14.4 milllion, a slight increase to 13% in relative terms. Clearly indicating a significant boost in higher-value contracts, and substantial customer demand for our comprehensive high-value solutions portfolio.

If we move on to the chart on the upper right-hand side, you can see the total enterprise ASP in the second quarter remained relatively stable at €36,000. The Enterprise Net Retention Rate slightly declined to above 110%, a dropdown though from the first quarter as you can see in the bottom left. This reflects from my perspective the implications of the uncertain macroeconomic environment with some customers getting more hesitant to close new deals or upgrade existing contracts.

Overall, we achieved a Net Retention Rate of 101% on a Q2 LTM basis. And therefore, we managed to consecutively increase the NNR four quarters in a row now. And as you can see on the right-hand chart on the bottom-right chart, now the final numbers of Enterprise customers exceeded for the first time 3000 Enterprise customers, so, very, very strong development here.

And let me highlight one more important point. In the second half of the year, we also intend to launch a dedicated campaign which aims to transition a significant amount of our larger SMB customers to TeamViewer Tensor, the Enterprise Edition of our Remote Connectivity software, which we talked about a lot in the past.

That's really the version those customers should use. And we have seen great upselling here over the last few years. We will now make this an even more streamlined focus area for our upselling activities and expect to move quite a few of our existing SMB customers toward the Enterprise segment which should accelerate Enterprise growth rates again.

Let's move on to the next slide. Year on year, our adjusted EBITDA increased to €58 million from €57 million as a result of strong operating leverage, the clearly successful execution of Project ReMax and lower bad debt expenses. I think overall, this is a particularly strong achievement given last year's second quarter did actually not include any material costs from the marketing partnerships.

And although one remark regarding those sizable contracts in marketing, they do not include any material inflationary adjustments. So, a large amount of those are relatively fixed. For the first six months, adjusted EBITDA was a €141.3 million, while in the prior-year period, it amounted to a €147 million. Both the Q2 margin as well as the H1 margin were above market expectations.

Moving on to cash flows on the next slide, you can see that we maintained high free cash flow and cash conversion in the second quarter. IFRS pre-tax operating cash flow was down 18% in Q2, overall amounting to €48 million. Levered free cash flow in Q2 declined by 13% compared to the previous year. Again, this is pretty much solely due to the planned sport partnership repayments in Q1 and Q2.

Those partnership repayments are pretty much frontend loaded, and very little remains to be paid in the second half, therefore providing a boost to cash conversion in the second half. Total Capex accounted only for €2.4 million, representing a very low level with no investment-heavy projects, and significantly reduced expenses due to the successful rollout of the new ERP system.

And I think in total, it's fair to say that our cash flow profile and the cash conversion remained very healthy and added to us maintaining a very strong liquidity position as you can see in the next slide. On slide 17, you can see the waterfall cash and cash equivalents at the end of the second quarter amounting to €383 million.

Clearly, the largest cash outflow came from the payments for the share buyback. The other outflow contains a positive FX impact of €16 million and a negative €4 million lease payments, netting overall €12 million. The net financial liabilities increased in the second quarter and amounted to €527 million as of June 30th.

But all in all, our liquidity in Q2 remained very strong with the leverage ratio of 2.1 times. And let me also give you a brief update on the share buyback program, which we announced earlier this year. As of end of July, we have bought back approximately 19 million shares of our own stock. This corresponds to roughly €249 million or 83% of the target volume of €300 million, which we announced.

What is important here is that roughly 3 million shares of those are earmarked as restricted stock units, clearly an important feature of our long-term employee retention. And as discussed when we introduced the SBB, the Share Buyback, we will continue the program until the amount of €300 million is fully invested.

And I expect it to be completed within the third quarter of this year. So, relatively soon. We also increased the maximum number of shares to be repurchased under the program to 30 million shares in total. And actually, using our strong cash conversion profile, we were able to refinance our leverage structure with from my perspective very attractive terms.

Let me quickly provide you some details on the next slide here. Our new revolving debt facility comes now with an extended maturity profile. The refinancing included a down payment of €477 million term loan by using existing cash from the balance sheet and entering into a new significantly lower term loan of a €150 million in combination with the revolving facility.

The total RCF facility amounts to €450 million, and is currently drawn with €150 million. And on the left, you can see how much more balanced our maturity profile has become thanks to the extended revolver and the new extended term loan. The optimized financing, which now also includes an ESG component provides us clearly with more flexibility for potential future investments.

And secondly, it bolsters our financial resilience. We have less FX volatility as well. And lastly, we significantly improved our mid-term maturity profile, which is now both flatter and more extended compared to before the refinancing. So, overall, very good news from my perspective. And maybe just quickly on slide 19 to sum things up on this slide.

I think, we have clearly done our housekeeping. TeamViewer is very well prepared to navigate through the current economic environment and beyond, a very strong focus on the bottom line, even better financing structure in place. And we have proactively addressed long-term employee retentions as well. We successfully executed on ReMaX.

Next to many other benefits of the program, we have clearly reset the cost base and realigned topline and opex growth that could be seen in our flat opex development despite the double-digit topline growth. And secondly, with the refinancing, which was clearly made possible by the strong financial performance in the past quarter, we substantially improved the financial structure going forward.

Stronger balance sheet, great liquidity, and lower financing costs, so, a very good result. And lastly, we also significantly improved our long-term employee retention by introducing now a modern RSU scheme across the employee base on a global basis. The cash outflow for this program is already fully done in the second quarter and will cover us very well for the next two to three years.

Now most importantly, the guidance. We maintain our current guidance. We have analyzed a variety of different scenarios over the past weeks. And despite the macro uncertainties and limited visibility, we are confident to reach the guidance though at or around the bottom end of the predicted range, at least for Billings.

However, a full disclosure here. We also came up with scenarios where this will be challenging, especially in light of recent volatility and customer cautiousness. It really remains to be seen how Enterprise develops, and how we can push through with pricing and upselling our large install base. This means for the full-year 2022, we continue to expect revenue to increase in the mid-teens to €565 million to € 580 million, and an adjusted EBITDA margin within the range of 45% to 47%.

We expect Billings for the full year of 2022 to be at or around the bottom end of the current guidance, which means somewhere around €630 million. Now let me conclude the outlook section with a rather long-term view. While we recognized the positive brand building effect of the partnership with Manchester United, we do not intend to extend the sponsorship agreement with the club beyond its term.

In light of the current macro environment, we have decided to reassess the long-term marketing strategy. And as already touched base or already touched on over the course of today's presentation, we have already implemented several short-term measures to ensure and increase our attractive profitability.

And I think in the next step, we now increase our focus on medium-term measures. And as a result, we expect that the combined effect of these measures will lead to significantly improved margin following the end of the current sponsorship agreement. And with that, I'll hand over again to Oliver for concluding remarks.

And let me end by saying thank you all again for the very open, respectful, and inspiring conversations, and discussions over the past years. I look forward to having some final one-on-ones later today and tomorrow during my last few days in the office. Thank you.

Oliver Steil: Yeah. So, this concludes today's presentations. We now look forward to taking your questions. But before commencing the Q&A session, I would like to sincerely thank Stefan for his exceptional contributions to TeamViewer, the outstanding refinancing he secured for TeamViewer, and which he presented to you some minutes ago is just one of the numerous proof points of how good as a CFO Stefan was for TeamViewer.

I'd also like to thank you, Stefan for ensuring the exceptionally smooth transition with your successor, Michael Wilkens. Thanks to you, he will have a head start when beginning in September. Stefan, I think everybody knows that I really enjoyed working with you. And I really wish you all the best for your future. And with this, I think we move over to Q&A.

Operator: Ladies and gentlemen, if you would like to ask a question, you can do so now by pressing star one on your telephones. We will now take our first question from Kathinka De Kuyper from JP Morgan. Please go ahead.

Kathinka De Kuyper: Hi. Thank you for taking my questions. A few from me please. Firstly, on the demand environment, you saw some customers being cautious and postponing deals. Can you give us a bit more color on maybe which regions, which sectors, and even what type of deal sizes? And then secondly, you still need to see a meaningful acceleration of Billings growth, and both Billings growth in Americas and APAC, so, sequentially in constant currency terms. So, what is the visibility you have into the second half? And then, finally during the first pandemic, the lockdowns accelerated the demand for your solutions. And now, you're mentioning that the lockdowns are having a negative effect in APAC. So, what has changed? Thank you.

Stefan Gaiser: Yeah, let me start here with the regions and the deal sizes. I think from our perspective, we experienced first a slowdown in the EMEA region sometimes during the second half of the second quarter, and I think generally a more cautious tonality from customers. We then basically came in line with our forecast for EMEA.

But clearly, we had hoped for more. I'd say the US Enterprise is actually pretty resilient. Yes, we had a few larger deals which slipped. Those deals are still very much alive. And we expect to close them shortly. But overall, actually, the Enterprise contribution in the Americas was pretty strong in the second quarter.

Some of those deals which slipped are significant deals for us, half a million roughly in deal sizes. So, quite significant deals. Again, they are still live, but let's see whether we are able to close them. We should know that pretty soon. But overall, I would say the slowness was more pronounced in EMEA than in the Americas.

APAC very much differs by country frankly. Our most mature markets, Australia and New Zealand actually a very strong growth, clear double-digit growth in those markets. China, a tougher spot for us. The lockdown certainly there hasn't helped because look, the basic remote access products, I think that market has a certain maturity achieved over the last couple of years.

But the lockdown certainly doesn't make it easier to pitch new products to meet customers and present our technology, especially for the newer used cases, and therefore the lockdowns had a negative impact. We can clearly see that in EMEA and the US, where we had a significant amount of field activities going on, lots of customer visits, and trade shows.

And that really helps us in building the funnel. In terms of Billings growth and visibility for the second half, yes, it requires an acceleration. That's not untypical for an Enterprise software company. We've seen that last year as well. To a certain extent, Q4 was very strong. That's the time of the year when you typically close the larger deals.

We expect the same to happen this year. But at the same time, obviously, we need to be cognizant of the tougher macro environment out there. And that's why we put the language around the outlook statement that's clearly based on the pipeline. We are confident to achieve the guidance, but there are also scenarios in which that might be tougher, especially continuing cautiousness on the customer side and deal slippage. And then the last question – sorry, go ahead, Kathinka.

Kathinka De Kuyper: Actually, just how much of FX are you assuming in the guidance of €630 million?

Stefan Gaiser: We basically assume a continuation of the current FX rates, which means the US dollar euro, 1.01, 1.02, 1.03. It really only started strengthening towards the end of last year. I think, the average rate for Q4 was still around 1.15 last year. So, we still expect a significant FX tailwind there.

Kathinka De Kuyper: Thanks.

Operator: Thank you. We will now take our next question from Mohammed Moawalla from Goldman Sachs. Please go ahead. Please go ahead, Mohammed. The line is open. Mohammed seems to have stepped away. We will now take our next question from Gianmarco Conti from Deutsche Bank. Please go ahead. The line is open.

Gianmarco Conti: Good morning there. Yes, thanks for taking my questions. I have a few. And then, I'll ask some follow ups maybe later. So, the first one is on exactly which customer cohorts do you see most of the slowdown in order entry coming from? Would that be from Enterprise or SMEs? And the second was just out of curiosity about how come the free-to-paid campaigns have been activated. I was under the impression that growing subscribers using this strategy perhaps means that you'll be acquiring lower-quality customers. And that they will likely trim away in 12 months. So, just want to understand the strategy around this. And the fifth question is what was the main reason for the slowdown in NRR, going below the 100% mark? Thank you.

Oliver Steil: Yeah, maybe I can start. So, I think, the slowdown, say if you look at the -- it's most pronounced in the Enterprise segment obviously. So, if you look at pipeline conversion towards the end of the quarter, that's where we see delays in decision making, which doesn't mean that the deals are not there anymore, but customers really take time.

And it started in Europe. And it's now I think also the case more in the Americas. I think generally SMB is not so much a conversion topic. But I think that's in general just deal flow leads coming in, also weaker in the current environment. But the conversion piece has really slowed down. For us, the most important, the most pronounced in the Enterprise segment.

I think on the monetization, we were running monetization campaigns. You're right. These customers are mostly coming in at the lower end. We have been running campaigns across the regions, but we're trying to really move customers into the business license or not so much into the remote access license.

And we are less aggressive, I would say in terms of promotions and pricing than we have been in the past. That reduces the overall volume of the monetization impact. But it's also reducing the risk of a churn one year later, which you mentioned. Obviously, this is the entry level cohort. So, there will always be a slightly higher churn or higher churn in this cohort than in the higher end segment.

So, you are absolutely right with this. But I think relative to other times when we did significant monetization campaigns for example after the COVID, where we had a big wave of conversion of monetization of customers or users. I think that looks very different. Stefan, net retention rate –

Stefan Gaiser: Yeah, NRR down, clearly, the biggest driver for that is the slower upsell and cross-sell activities. So, it's not the churn topic which is good news. I think the business continues to be very resilient. Churn has actually come down. If you adjust for the Russia Belarus from 14% to 13%, so, very good from my perspective.

But upsell and cross-sell suffered under the current macro environment. So, customers continue to use our software. It's an important solution which they need, but they've been more cautious in terms of extending and increasing the volume under the current environment. So, that's the main reason for the NRR drop.

And the Enterprise business, it's still north of a 110% which is quite good, but it saw a deceleration compared to the last quarter.

Gianmarco Conti: Right. So, that leads me to two follow-up questions. The first one is given you had slower upsell and cross-selling activities, and what gives you the confidence that you are able to do that in H2? You like briefly said that you have a strategy to try and upsell from existing SMEs to Enterprise.

So, I guess as the macro environment deteriorates, as you're seeing order intake slowdown, what gives you the confidence that you'll be able to do upselling and cross-selling in H2? That's my first question. And the second question is just a final one on do you expect H2 margins to trend in line with H1? This strong margin beat was driven, I'd imagine mostly by the ReMax Program.

But what are your expectations of ReMax having an impact in H2? And should we expect something similar? Thank you.

Oliver Steil: Yeah. Maybe I'll take the first one. So, up and cross-sell from SMB to Enterprise. As you know, this has been an ongoing motion, but very selective. If you track the number of Enterprise customers or number of customers above €10,000. So, it's a gradual increase quarter over quarter now standing at a bit more than 3,000.

And of course, really we started from the top with relatively strong upsell and increase in ACV per customer. What we think we should do now and we started with sample cohorts. But we think now we should, reflective of the current economic environment where many customers look for good offers to improve their security positioning and improve the feature set, work more remotely, and have the right solution which is our Tensor place.

We know there's many customers in our base that want it and have expressed interest in the past. But we have been I would say on the high side of pricing. And you remember discussions we had where we often indicated that often the 3x, 4x increase of ACV when we move these customers. We feel in the current economic environment where companies are under pressure, there's really room to be a bit more aggressive on these campaigns and offers.

So, we are providing these functionalities at a lower ACV increase to make it an attractive bundle for our customers. And we believe that there is a significant amount of customers that would then move to the solution that they anyway want in a way because it comes with single sign on and many more functionalities.

So, this is why we believe if we run this as a campaign across the regions that there can be significant more upsell and cross-sell than we've seen in the first half of the year.

Stefan Gaiser: And then margin development, if you take a look at the quarterly development of our total opex, I think it came down from roughly €90 million in Q3 and Q4 last year to now around €80 million. ReMax is pretty much fully concluded, at least from a from a cost-cutting perspective exercise.

So, we are now sitting at a run rate of around €80 million give or take. We continue to invest, but more selectively. We continue to invest into sales and R&D, but other functions, we are more cautious in terms of overall investment and replacements. So, I'd expect a slight increase in our cost base in the second half.

But obviously, we also have a higher Billings number in the second half. And therefore, margins would be pretty much in line with what we've seen in H1. Overall, I feel really confident about adjusted EBITDA for the second half, and also about adjusted EBITDA margin.

Gianmarco Conti: Great. Thank you.

Operator: Thank you. We will now take our next question from Ben Castillo-Bernaus from BNP Paribas. Please go ahead. The line is open.

Ben Castillo-Bernaus: Good morning. Yeah, thanks very much. A couple from me please. Billings guidance for the full year, I guess what does that embed in terms of pipeline conversion versus what we've seen in Q2? Are you factoring the same level of deal slippage and pipeline conversion or some deterioration or there will be some improvement?

That will be the first one. Second question on the news of the Man United sponsorship, I guess how should we read that? Why make that announcement now given you're only one year into a five-year deal? What's the messaging there? Has the return on that investment maybe been different to your expectations?

Clearly, there'll be little impact for the next four years of your financial impact. So, yeah, curious on the messaging there. And the third if I may, on capital allocation. You're over 80% through your share buyback. What's the outlook for M&A in H2? Should that pick up as you use capital or more buybacks on the table? Thanks.

Oliver Steil: Yeah, maybe I start. I think, this is a difficult environment at the moment. So, it's difficult to read how macro and demand trends in Enterprise will continue. I think what we've communicated is that pipeline conversion was weaker than we had expected. We don't assume a deterioration there, but we also don't assume an improvement on conversion.

I think, what we do see based on our partnerships that we have with SAP, Google, now Siemens, and also the activities we've been doing since we can travel again and visit trade shows and generate leads, we see a growing pipeline. So, the pipeline cover relative to what we need to achieve in order to get to our guidance is better for the remainder of the year, and especially also for Q4.

So, that's the current thinking. Again, hard to read how it will develop, evolve in terms of buying behavior. But we are operating with a growing pipeline quarter over quarter sequentially. And therefore, we feel better towards the second half of the year than we feel for the first half. Manchester United, Stefan, allocation?

Stefan Gaiser: Yeah, look, I think from my perspective in the first year, we clearly got a significant brand boost through those partnerships, especially Man United. And the visibility of TeamViewer as a global brand has certainly accelerated substantially, no doubt about that. But at the same time, we entered into these partnerships under different assumptions, especially in terms of our long-term growth.

When we entered this partnership, we felt that we will be growing north of 20% or close to 30%. And obviously, the situation has changed. And therefore, we needed to reassess the long-term investment strategy for TeamViewer. From my perspective now, we've done all of our homework in terms of the short-term profitability preservation where I think we've done that extremely good.

Project ReMax fully concluded, and very effective. And we've kept margins at the 47% level. But I think it's also now time to think about the future and the long-term alignment of our cost base with the topline growth. And that's why we made this decision. So, that the analysts know out there about the margin profile going forward in light of the current environment. And that's why we took this decision and announced it today.

Oliver Steil: Capital allocation.

Stefan Gaiser: Yeah, capital allocation. Share buyback now pretty much completed. It will be done within the third quarter. In terms of M&A, yes, we are actively screening the market. I wouldn't expect anything to come shortly frankly. That's not the time right now, but let's see how things evolve. Clearly, we will continue to do M&A, but nothing short term on the horizon here.

Oliver Steil: Yeah, I think from my perspective, adding to this. Obviously, now being the transition from Stefan transitioning out and then Michael coming, I think it's absolutely important to keep focus on profitability of the business. Do our homework, grow the business in the areas where there is growth and opportunity like the discussions we had before on Enterprise, upsell, cross-sell, and also SMB, it's very important to focus there.

Brand building and investment into our technology brand is very important and remains very important. And we have these partnerships that we're using. But it's also clear as Stefan said, growth is different. We need to prioritize. We need to keep costs in order for the mid-term and the long term. And hence, we wanted to provide clarity on how we think about this at the moment. And capital allocation as Stefan said, I think it's currently the time to focus on organic and drive our Billings and develop the business in the different regions. There's enough to do. Obviously, in the current market environment, there might be opportunities coming at some point, but it's not a priority for now.

Ben Castillo-Bernaus: Great. Thanks very much.

Operator: Thank you. We will now take our next question from Gustav Froberg from Berenberg. Please go ahead.

Gustav Froberg: Hi, everyone. Thank you for taking my questions as well. I have two if I may. First on pricing. So, I know we talked about ACV expansion etc, and shifting among cohorts. But could you share with us how your underlying pricing has developed over the quarter just across the regions?

And then my second question on caution in the market. When exactly did you see this arrive with your customers? And would you say that the situation has improved, worsened, or stayed the same as it stands today in August versus the end of the quarter?

Oliver Steil: Pricing, so, I think underlying development as we always said, we typically don't do like-for-like price increases. However, we started last year upon renewal to do slight increases upon renewal. So, that we talk order of magnitude 3% to 4%. This is for some segments and some cohorts also happening this year, but not very pronounced.

I would say in the other element where we talk about new business, I think the pricing environment has stayed relatively the same. Yes, there's more discussions, but I think most of the projects, and most of the situations we have there's anyway some price exploration going on.

What is the value that we generate for customers? What is the overall size, rollout speed, and the likes and the like?

So, I wouldn't say that there is a fundamental change there. We also, as reported already last year that at the bottom and bottom means like really below €500, there is competition. There is more competition. That hasn't worsened I would say as it's relatively the same. We have done in some regions some adjustments there to be a bit more competitive.

But generally speaking, I think on the pricing side, quite stable development. As I said before, when we do upsell, when we will do upsell into the base, relatively to our price book, we might be a bit more aggressive to have interesting offers in these recessionary environments to SMB customers to move to the Tensor platform.

But that's still a significant ACV increase, a very significant ACV increase. So, therefore, that wouldn't be visible as a price pressure or so. It's actually an ACV up. Looking forward as you know, we just had some weeks ago, our new Chief Commercial Officer joined, Peter Turner. And I think given the significant inflationary environment in many markets, I think it's really worth looking at the price development and the renewal price increase going forward.

There probably will be countries and cohorts where we should push through a slightly stronger price increase, but that's all under analysis. And I don't want to jump the gun here because Peter just joined. And he will take his time to analyze, and then come up with actions.

Stefan Gaiser: And so, in the current environment, I think clearly things have not deteriorated. I think they are stable now on this level. I think we have seen that slowdown probably first starting in EMEA in Q2, then a little bit of slower conversion of the Enterprise pipeline in the Americas, but still very good numbers for the Enterprise. We just had hoped for a bit more. July off to a good start. Things are stable I would say or I can clearly say.

So, let's see how things evolve, but I think the dip was mainly in Q2. And from there on, it seems stable.

Oliver Steil: Yeah, I think the organization is clearly also, it has adjusted to the fact that you need more pipeline to get to a certain number of good deals. And I think, there's always an adjustment phase so to say. Europe was very harsh, tough early in the year when the war started. I think Americas was more gradual.

Everybody knows what we are up to and the environment we are working in. So, full focus working on building pipeline with all the partnerships in all the different segments and for different used cases have shown some of them and new industries and new verticals. So, all hands-on deck. To work on this one, as Stefan said, July, always the first month of the quarter, never an easy month.

But if we compare with the beginning of last quarter, we actually see, it looks better. So, again, this is early days, just one month. But the beginning of Q2 was a tough one. Everybody in adjustment mode. At the beginning of Q3, it feels organization is more on it. And we have been able to, early days, just a few days ago, but it seems like we have been doing better than the beginning of last quarter.

Gustav Froberg: Perfect, thanks.

Operator: Thank you. We will now take our next question from George Webb, Morgan Stanley. Please go ahead. Your line is open morning.

George Webb: Morning, Oliver, and Stefan. I've got a few follow-ups. Firstly, just on the sports marketing partnerships. I think the Annual Report from last year had total contractual obligations for this year at €72 million, which I guess most of which will be relating to Manchester United.

Do you have any early thoughts on how much of that marketing spend you'll look to reinvest back through other marketing channels versus what we might see as uplifted EBITDA margin once that term ends in a few years? Secondly, on the free-to-paid monetization. I think when I asked on the Q1 conference call, there was a broad comment about perhaps linking the restart of that host and Peter Turner starting as CCO, seeing his thoughts, and then making a decision.

So, I'm curious as to when during Q2 that was turned back on? And what drove that decision? And then thirdly, just on your employee base. Can you talk about what you've seen through this year so far around attrition levels? And also, on the flip side, your ability to hire? Thank you.

Stefan Gaiser: Yeah, let me start with the sports partnerships. Let's bear in mind that this is not only Manchester United, but also Formula 1. Clearly, significantly less compared to Manchester United. But in the €72 million, that also includes the Formula 1. But that being said, if we come to the end of our term, there will be significant relief of the P&L.

But we still have significant marketing funds available. At this point in time, I would not expect that we need to continue to reinvest a significant amount. So, I think most of those savings will actually go to the bottom line. That's why we announced it today. I think there will be a step-up in March and going forward, everything else being equal.

And look, I think coming back to my earlier comment I made about the marketing partnerships, I think for us, this decision is really about realigning our long-term growth with our long-term cost base. And this longer-term growth rate has come down. And therefore, now the longer-term cost base also need to come down.

And that's what you will see happening. And therefore, you should see and model an increase in our margins going forward beyond the term of this partnership agreement.

Oliver Steil: Maybe, I'll take the attrition levels. I don't think I understood the second question well. So, employee attrition levels what are we seeing, it has been for the first half of the year, it's a very competitive marketplace. And I think we've discussed that early. We've done our homework in terms of respective salary increases where we need to do it.

We also launched the RSU scheme, which will be financed or is fully financed as Stefan explained before with a small portion of the shares that we bought back. So, that's all done. Attrition levels, Americas, high. Obviously, we have inside sales people, and the service people, where the fluctuation is anyway high.

But clearly the attrition levels are higher than we want them to be. EMEA is I would say so far still relatively in line with expectations. APAC is in transition anyway. So, there's lots of call it wanted attrition, where we actually change the setup of the organization, and then also, people changes for performance reasons.

So, I would say really the big area or the most-affected area is the Americas. From what we see now, I think it's early, but it seems like the recessionary trends are coming through more. It seems to ease a bit, but early days as we see. Flip side hiring, yes. We hire for key positions, absolutely. And I think in some regions that works well.

In other, it's very complicated or functions. I think it's not a significant change to before. But obviously, we anyway are very disciplined. We look at every position in the senior leadership team where we replace, and where we add positions for strategically important topics. I think, it's an environment at the moment, we're disciplined.

And that's what you see in the FTE development. And if we have high attrition here and there, we're also sometimes a bit slower in backfilling because that's also a good measure to keep our costs in the right place. Could you maybe repeat your second question on monetization?

George Webb: Yeah, sure. Yeah, of course. I was just looking back at the Q1 call. And I think I recall asking, how would you think about restarting the monetization campaigns? And I think you made a broad comment that you might look to see Peter Turner start as CCO before you made a firm decision on timing.

But of course, you started it in Q2. So, wondering when in Q2 you kick that off again? And why you decided to go ahead in Q2 versus more in the second half?

Stefan Gaiser: Yeah, we did, I think we have mentioned that, we do a few test runs in the second quarter. And I think those test runs clearly showed us it makes time now to monetize again because there is no benefit to be had to wait longer. And that's why we launched those campaigns. I think from my perspective, they've been very effective.

But they also proved to us from all what we've seen, it doesn't make sense to hold back longer. If anything, maybe actually do it more regularly and more frequent, but maybe less intense. So, that's our current thinking. And that was one of the reasons based on those test runs that we actually had it activated more broadly in the second quarter.

Oliver Steil: That's a matter of -- it's a function of when are these users active, and when do you best approach them to buy a license versus letting them be active maybe for six months and then activity goes down and then they're less likely to convert. So, it's always -- it's our micro campaigns that we're testing across countries, different regions.

And after the testing, we felt it's probably time to do some of it in some markets, not all. There's still potential left of course for the remainder of the year. But we felt we shouldn't wait too long, also taking into account Peter joining in July, and then obviously taking some time to understand, and probably also focusing a bit more on other topics that we felt we should probably continue to work on this on a regular basis.

George Webb: Understood. Thank you.

Operator: Thank you. We will now take our next question from James Goodman, Barclays. Please go ahead.

James Goodman: Good morning. Thank you. Stefan, all the best for the next chapter. Firstly, just a clarification please. Stefan, I think you said in your prepared remarks, I might have missed some of it. But you said something along the lines of you're targeting the lower end of the Billings guidance. But I think, you said to be frank there are scenarios where you see your sales coming below that?

Did I get that right? And if so, can you be a bit more specific around what scenarios you were discussing? Then, just a couple of specific questions. One, I think I see that you set up a new share-based compensation plan for employees in the second quarter. Can you just talk to the magnitude of that? Is that just an underlying wage increase for employees?

And what's the annualized stock-based compensation now on a normal basis because it's sometimes hard to separate that out from what's funded by the sponsors from the IPO? And then, finally just on bad debt, very low bad debt this quarter. I'm a bit surprised. I thought maybe given your macro commentary, bad debt might be increasing slightly. So, what's happening there? And are you expecting that to remain low? Thank you.

Stefan Gaiser: Yeah, sure. Maybe on the scenarios, look, I think when we did the analysis of our pipeline and the upsell campaigns, Oliver explained within the SMB segment to push them to our Tensor product. I think, all of those numbers make us very confident that we hit the low end of the range. But at the same time, I think we have to be cognizant of the macro environment out there, and extended sales cycles and cautiousness on customers' decision to extend contracts.

And therefore, there are also scenarios where we will not make our guidance. And that's what we wanted to bring across. So, if the situation deteriorates, then this will be a scenario, where it will be tough to get there. But again, from the pipeline build and so forth, we clearly have confidence to get to the low end of the range.

But it requires good execution, and no deterioration in the pipeline conversion. In terms of the RSU scheme, actually we have an appendix sheet, where you see in the second quarter, it was very little, I think a €1 million charge. The most significant part of the IFRS 2 charges are still related to the scheme which was put in place by the previous sponsor which is non-dilutive, and results in non-cash outflows.

The RSU Scheme going forward, I think that's a very attractive element, which will clearly help us to retain key talents. It's a broad-based program. It has now been fully financed already through the share buyback. I expect the charge in the next one or two years to be mid-to-high single-digit million euros, so, still relatively small or very small compared to other companies. But clearly, a key element in our employee retention.

And then on bad debt, I think we have seen a very good development over the last few quarters already. And I think at the time of the IPO, it was 3% to 4%. It has trended down to 3% even during COVID times when we relaxed our payment terms and dunning procedures and so forth to help our customers.

But even then in 2020 and 2021, bad debt has come down. Now, the more we move to Enterprise, the more important that gets. The more we are having business with the existing install base, the lower our bad debt ratio gets. As you can see from the balance sheet, our exposure, I think it's €11 million or € 12 million.

So, very well covered there, and I expect a significant decrease in bad debt going forward as well. Yes, the macroeconomic uncertainty might result in some higher bad debt here and there. But so far, I haven't seen it. I think, we are still very much applying a conservative accounting here. And I expect that debt to trend at those levels going forward as well.

James Goodman: Great. Thank you.

Operator: Thank you. We'll now take our next question from Victor Cheng from Bank of America. Please go ahead.

Victor Cheng: Thanks for taking my questions. Just two from my side. Just a follow-up on the monetization. Can you talk a bit about the contribution of the monetization in Q2? And what is the expectation of it? For the rest of the year, it sounded like you were just starting to test it in Q2. But that seems to have taken a hit on active devices.

So, how much further should we expect the contribution from it going into H2? And then just a clarity check on the subscriber contribution from Russia, I think, you mentioned 10k subscribers from Russia and Belarus. But how much of that is from Q1, and how much of that is from Q2? Is that 10k coming off from Q1 entirely?

Stefan Gaiser: Yeah. So, maybe free-to-paid first of all, we had roughly low-to-mid single-digit million contribution in the second quarter. I expect the same to take place in the second half. I think that's pretty much actually in line with our assumptions when we did the budget that we expect around €10 million overall.

Less compared to last year clearly, but still very decent number, and pretty much in line with our expectations. So, Q2 now low-to-mid single digit, and the same will happen in H2. That's probably more Q4 though and less Q3. Now, on the subscriber count, the 10k, that's on a full-year basis. So, that will manifest itself in our subscribers numbers over the next few quarters.

In the second quarter, we probably had a fourth or maybe a third of those subscribers leading to roughly 3k or so in the second quarter. And the remainder to come in the next few quarters.

Victor Cheng: Got it. Thank you.

Stefan Gaiser: Sure.

Operator: Thank you. We'll now take a follow-up question from Mohammed Moawalla from Goldman Sachs. Please go ahead.

Mohammed Moawalla: Yes. Morning, Stefan, and Oliver. I had just one question. When you think about your medium-term guidance which is in the high teens, given some of the macro risks that you've identified, how feasible does that look or do you need to revisit your margin guidance over the long run as well to try to stimulate more investment to stimulate growth?

And just related to that and a follow-up, you've done the Man United's sponsorship. Is there any way to measure the benefits of that given it's been 12 months on in terms of your Billings growth? Thank you.

Stefan Gaiser: Yeah, in terms of midterm outlook, I think this is right now not the time to think about midterm. I think, I certainly would need to experience Q3 and Q4 frankly to assess the midterm outlook. So, that's just a bit premature given the volatile environment. I feel very optimistic about the fourth quarter and the Enterprise pipeline. But obviously at the same time, we have a tough environment. I think we need to wait for that, and then make a judgment call about the midterm guidance. In terms of margin midterm guidance, look, I think with the announcement today and the cost measures we've taken, I don't believe that TeamViewer is underinvested.

Frankly, I think we will see a margin step-up clearly beyond the term of the Manchester United partnership agreement. We still continue to go ahead with investments in sales and products as you can see from our P&L. But at the same time, we have seen scale effects within G&A, right. And I expect that's going to be the case going forward as well.

So, the margin profile of this company I feel very confident. And there is no investment need to address the Billings potential. In terms of Billings impact from Man United, look, I think the focus clearly was as we communicated, this will boost our brand. Yeah, it certainly has helped us to boost the brand. But Billings impact in the first year, we always said that it will be very, very limited. And that's certainly the case.

Mohammed Moawalla: Okay, thank you.

Operator: Thank you. There are no further questions. That will conclude today's conference. Ladies and gentlemen, you may now disconnect.