

Transcription

TeamViewer Q4 & FY 2021

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02 February 2022



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PRESENTATION

00:02 Operator

Welcome to the conference call of TeamViewer AG. At our customer's 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 key followed by zero on your telephone for operator assistance. May I now hand you over to over to Robert Hildebrand from Investor Relations who will lead you through this conference. Please go ahead.

00:29 Robert Hildebrand

Good morning and welcome to the TeamViewer fourth quarter and full year 2021 results. In a moment Oliver Steil, CEO of TeamViewer and Stefan Gaiser, our CFO, will take you through the business and financial updates with the 2021 highlights. As always, we'll conclude today's call with a q&a following the presentation. Before we start, a little housekeeping exercise for today. I would like to remind you of the note on the forward-looking statements that you find on page two of the presentation. Let me now hand over to Oliver.

01:00 Oliver Steil

Thank you, Robert. Good morning. Thank you all for joining today. We are pleased to take you through the TeamViewer fourth quarter and full year 2021 results. I will start with an update on our business, followed by Stefan who will present our financials. And as always, we will conclude today's call with a Q&A following the presentation. Before we dive into the fourth quarter and full-year business update, I would like to take a step back. From our perspective, 2021 was marked by several strategically important decisions which we made to foster TeamViewer's future growth, but also of course by a few challenges, which we clearly had to acknowledge. We have however, been working hard to address these, and we remain committed to continue that path and also create value for our shareholders as demonstrated by our announcement this morning, and the progress we made in q4. Hence, we are pleased with the conclusion of the financial year as we fully delivered against our revised guidance and further strengthened the foundation for long-term profitable growth. We will show you a detailed overview of all those KPIs later in the presentation. With record growth rates, our enterprise business has again proven to be a strong driver. With the acquisition of Upskill and Viscopic, both leading players in the dynamic augmented reality industry. We further strengthened and diversified our solutions portfolio, and at the same time, also our footprint in the United States. In addition, we initiated several new major strategic partnerships. In our SMB business, we successfully retained a significant part of the customers that we won during the pandemic. We further improved our churn rate throughout the year and increased the ASP. Finally, we



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made major progress on our improvement program ReMax which we will update you on later in more detail as well. Our strong development in 2021, combined with our highly attractive cash profile opens up avenues for further value generation for our shareholders in the future. We revised our capital allocation and announced this morning a share buyback program of up to 300 million euro or a maximum of 20 million shares, which is equivalent to nearly 10% of our outstanding shares. This should be completed within 2022. Stefan will walk you through the details of this program in a moment. We go to the next slide: q4 and the fiscal year 2021 at a glance. Let me summarise some highlights of the fourth quarter and also the entire financial year. First of all, we increased total billings by 19% year on year to 548 million euro with accelerating billings growth in the fourth quarter. With a clear focus on cost containment, we were also able to maintain high profitability and to achieve margins ahead of our revised guidance. With a growth rate of 75% and billings of almost 100 million in the last 12 months, the enterprise business is now clearly a substantial growth engine of TeamViewer. At the end of '21, the enterprise business accounted for 17% of total billings. In addition, we increased our net retention rates in the fourth quarter significantly to 105%, after a notable dip in the first half of 2021, with net retention rate of around mid 90s. And this leaves TeamViewer with an average net retention rate of 98% over the past 12 months, underlying our success in building lasting customer relationships. At the same time, our subscriber churn rate further improved to 14% compared to 15.1% in 2020. This confirms our ability to retain the strong intake of customers, which we want from the COVID-19 pull-forward demand in the previous year. At year end, we counted 627,000 subscribers, which is an increase of 7% compared to 2020, or roughly 43,000 more subscribers. Furthermore, our financial profile remains very strong with, again, lower leverage rate. Now let's look at 2021 in more detail. First of all, I would like to give an overview of how the two businesses have developed in 2021. Before we then take a closer look at both the enterprise and SMB separately and in detail. Coming to enterprise, as a reminder, we define enterprise customers as those with invoice billings across all products and services of at least 10,000 euro within the last 12 months, and customers who exceed or fall below that threshold are reallocated then accordingly. And as you can see on the left-hand side, our total company billings increased year on year by 88 million to 548, 2021. Although our SMB business still contributed most of this absolute growth, the enterprise business is rapidly becoming more material. It contributed only 26% of the overall growth in 2020. And now almost half of the growth in 2021. This underpins our success in building a leading enterprise business that is delivering strong and sustainable growth. The chart on the right-hand side shows additional proof the enterprise business achieved high billings growth rate throughout 2021 and actually accelerated nicely during the year after a somewhat slower start due to the COVID retention and right sizing issues in the first quarter of 2021. For the year as a whole, the enterprise business grew by 75%. The SMB business also grew nicely in the fourth quarter with 9% and 12% for the year respectively. Let's not forget that our SMB business serves as a very attractive funnel for the enterprise business, and we have been extremely successful in converting SMB customers into enterprise customers. And this is obviously to the disadvantage of the reported SMB growth. As mentioned before, we'd like to give you more detailed insight into our dynamically growing enterprise business in the next few slides. Slide seven now. I will start with development of the number of our customers. In the past 12 months, the number of enterprise customers grew by 44% to now 2712, particularly in the fourth quarter in line with the usual seasonality for enterprise software companies, we were able to make further strong gains and almost doubled our growth average. This was driven by the



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strong execution of our pipeline at the end of the year. In addition, we won new customers through acquisition of Upskill and Viscopic, both of which have been added to our augmented reality platform frontline and now complete our fully integrated offering. We now count a well-balanced mix of use cases across manage connectivity and operational workflows in our portfolio, some of which I will show on the following slides. But before we get to some of the use cases, I would like to present the development of billings in the enterprise business, not only the amount of enterprise customers increase, but also our enterprise billing. Up 75% in 2021, we were able to grow the enterprise business to nearly 100 million euro. And this corresponds to more than a five-fold increase compared to, for example, around [0:08:49 17 million] euro in 2019. This success is also due to the fact that we were able to increase the size of the contract with the respective customers last year as can be seen on the right-hand side. Our annual contract value bucket above 200,000 euro increased by eight percentage points compared to 2020. And our smallest bucket, 10,000 to 50,000 euro ACV contracts declined by 11 percentage points. So, really seeing a shift there. We were able to achieve this positive development primarily through our successful up and cross-selling, our success in building lasting customer relationships, and the acquisition of multiple new high-profile strategic partnerships with leading businesses in their respective industries. On the next slide, you can see the importance of strategic partnerships for our business. SAP and Google Cloud were among the highlights in 2001, underlining our strong value proposition in the enterprise business. In addition to that, we partnered with [0:09:50 unclear] multinational technology partners such as [0:09:52 unclear] RealWear, or NSF. Those strategic partnerships are a major driver for our long-term growth. The reason for this is twofold. They help us to accelerate our expansion into various strategically relevant verticals, industries. And these partnerships are a great opportunity to join forces with those third parties and leverage our sales reach globally. With that, let's have a brief look at some example use case of our product to begin with. A great success is clearly our collaboration with NSF International. I've just mentioned NSF International on the partnership slide. Let me elaborate a bit more on what we do together. NSF is a leading global food safety organisation. We have closed a commercial agreement with them, and we are now jointly improving in marketing and augmented reality solutions to digitalise the food industry. This solution is based on our enterprise AR platform Frontline, and guides workers step by step through the food production process. It is voice or eye-controlled and therefore really 100% hands-free. As you can imagine, this is a game changer for the food industry, which is...with its very strict hygiene regulations. The solution we have with NSF is already fully operational. And it is used, for example, by a global fast food restaurant chain. What I want to highlight here is that this solution is enhanced with artificial intelligence capabilities. So the software can detect for example, if the workers are wearing and changing their hygiene gloves. We are convinced that this will further contribute to more safety in the global industry and adjacent industries. On slide 11, let me demonstrate another attractive use case of our products, our productive collaboration with the Ford Motor Company. We provide extensive state-of-the-art augmented reality reports to Ford's diagnostics team, which must go through complex technical issues when checking vehicles. Therefore, our solutions were rolled out across more than 400 Ford dealers worldwide, who now have the capabilities to solve problems more efficiently and accurately using augmented reality remote support. Another very different example use case, which I want to show, is a cooperation with Erste Bank Austria, which is one of the largest banking groups in Central and Eastern Europe. Together with TeamViewer, Erste Bank enables its customers to "visit," so to say, a virtual



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branch. That means that clients can consult the personal banking advisor who then can, via video call, help the client to put together online forms, upload documents and so on. And the service level of this digital service is similar to the one in the real branches. I think in this...is this case a great example of our customer engagement software team [0:12:46 UR Engage] and has been added to our portfolio through the acquisition of Xaleon also in early 2021. The last great example of how to use our solution is shown on slide 13. Recently, we started working together with ABB, one of the world's leading global technology companies. With our software, ABB provides remote support for their clients who heavily use connected devices such as robots and industrial machines. And furthermore, another goal of ABB is to standardise the global remote IT support across all global divisions. TeamViewer is ABB's partner of choice to achieve this goal. Our enterprise connectivity suite [0:13:28 unclear] is just the right solution here because it delivers a stable, highly secure cross-country connectivity, both internally and externally. These four examples demonstrate the breadth of use cases for our products across a wide range of different sectors and industries. This is one of the aspects that make us confident about our enterprise business. We come to the SMB business, page 14. Take a look...closer look, there. Overall, we recorded a growth of 12% year on year in SMB, amounting to billings of 455 million, and several factors contributed to this growth. Firstly, part of the growth stems from higher volumes with existing customers as a result of our continued cross and upselling as well as winning new customers at higher prices. This can be seen in our ACV bucket split. Our largest ACV bucket, 1,500 to 10,000 euros, showed the most dynamic growth in the last two years with an increase of almost 10 percentage points. Secondly, we can see in the upper right corner that we were able to steadily increase our ASP again after a dip in the second quarter. In the fourth quarter of 2021 the ASP counted seven and 28 euro. And thirdly, we improved our SMB churn rates by almost one percentage point to 14.1% in q4, compared to q4 2020. And again, SMB business is a very attractive part of our enterprise business. More than 10 million euro of the increment enterprise billings in 2021 are actually coming from former SMB customers. As shown on the chart in the bottom right, we counted 624,000 SMB subscribers at the end of fiscal year 2021, which is 42k or 7% up from last year. In the fourth quarter, however, the number of subscribers remained essentially flat. Because of our decision to suspend free to paid monetisation campaigns to further develop our ecosystem - we'll come to that later. As we started into 2022, we intend to continue the suspension of free to paid monetisation campaigns. And this should nurture our free user ecosystem, but will, at the same time, increase the seasonality of our subscriber goals with the majority of growth waited to the second half of the year. And, we are confident that we will achieve our 30 to 50,000 subscriber growth target in the year ahead. TeamViewer's strong focus on further developing existing SMB customers and the growing relative importance of enterprise customers will further diminish the relevance of subscriber growth as a KPI for measuring future growth at TeamViewer. What are the use cases behind the SMB growth? We see similar use cases for larger enterprises, maybe with the exception of operational workflows created on our frontline platform, which are more biased towards enterprise. Overall, it's a well-balanced mix of use cases clearly with a strong presence within remote access and control of all sorts of equipment and devices, including access and control of non-IT equipment. The digitalisation around operational technology and their use cases also applies for SMBs. We cover IT management, including monitoring of IT environment, patch management, endpoint protection. We obviously also cover remote work use cases. And in addition, we offer customer engagement solutions as well as solutions for the education sector. So very comprehensive portfolio for



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the SMB business as well. We go to the next slide. Let me change gear and provide an update on our ecosystem - free user ecosystem, as we committed to do at the capital market state. Free ecosystem was one of the larger drivers of the SMB growth in the past, especially in 2019, and 2020 - not so much in 2021 anymore. Due to increased monetisation as well as more competition at the low end our ecosystem has been declining. In line with our update at the CMD, we want to stabilise the ecosystem again, and ideally, we ignite growth. So here's the status on slide 16. As you can see, installations of our software have increased again, albeit only slightly, but this is clearly encouraging. Also, the number of monthly active devices has stabilised again. The one indicator which is still in expected decline is the number of yearly active devices. This is, for us, not really surprising, and we need to bear in mind that the number of 283 million includes a significant number of devices active during severe lockdown restrictions, especially the fourth quarter of 2020 and in the first quarter of 2021. And as those devices now roll off from the LTM count, we expect slight further decrease before that number will stabilise. That being said, the more current indicators - like installs and monthly active devices - are essentially stable. The ecosystem number will also become less meaningful as we work to more use cases which are not necessarily fully reflected on our ecosystem, such as, for example our AR solutions. Now let's look at our strategic sponsoring activities. As you all know, investing in the TeamViewer brand and increasing marketing efforts to showcase our extended product portfolio has been an important focus for us. To broaden our solution awareness across all customer segments, we signed two partnerships: with football club Manchester United, and the Formula One and the Formula E racing team of Mercedes. And we have two partners with this to boost our brand awareness globally, really. Both brands are truly global and provide an unrivalled reach and marketing power for TeamViewer. With Manchester United, we have already achieved more than 11.7 billion impressions of our logo since the partnership officially started mid last year. And regarding Mercedes, we had nearly 800 million video views featuring our logo on their channels. And we're able to reach a global TV audience of more than 1.5 billion Formula One viewers. You can see some more figures, really impressive figures, on our two major sponsorships on the side of slide 17. From our perspective, our sports sponsoring teams are a strategic lever for TeamViewer. As they are providing unrivalled global brand exposure, you can see how impressive these numbers are. And you can probably imagine, that much higher spend is needed in traditional marketing activities to reach these numbers of exposure. And finally, as you can see on the right, we use our sports partnership also to develop joint use cases of our technology in action. With that, we can then clearly demonstrate the value our software solutions can add at the different steps of the value chain for different businesses. That really applies to all industries in one way or the other and the sports clubs are showcases for that. Therefore, we can leverage our sports engagement beyond pure branding and logo impressions but use these joint use cases and success stories as reference for other potential customers. And then of course, combine it with all other elements of the branding partnership. With the next slide, let's come to our internal improvement, which we also discussed and announced through the Capital Markets Day which is called...this program called ReMax, which is on slide 18. We called...we launched this program to address some of the issues we faced in 2021. Since then, we've already made substantial progress in terms of execution, successfully re-accelerated some of the growth initiatives to better balance billings and cost growth. Let me briefly highlight some improvements, which we made since announcing ReMax program. We strengthened our core product team, and we re-allocated resources to this area away from non-focus products. This will



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also bear fruit in new UI/UX update, forthcoming, which is on track to be released early second quarter - so, very shortly. Within ReMax, we also introduced the task force to upgrade our website and digital marketing. Also, we made quite some progress regarding initiatives with short term billings. In fact, the new organization has settled in very well. And we conducted for the first time in two years a physical leadership kick-off with most of our senior leaders, which just happened 10 days ago, very important to be together in one room again. Lastly, as already announced, we strengthened the expertise of senior management and implemented some major cost reductions to better balance cost and billing scores. And as you can see, on the slide, we have been successful in temporarily freezing our headcount through effective regrouping, and outstanding at around 1470. Summing up, I'm thoroughly convinced that we are well on track with pushing TeamViewer ahead, following a sustainable and profitable growth trajectory, our efforts have already started to pay off, and I'm confident that we will see many more positive developments in the future. With that, I would like to hand over to my colleague Stefan, who will walk us through the financials in more detail.

23:04 Stefan Gaiser

Thank you, Oliver. Hi, good morning, also from my side. Quickly summarising the financial highlights, top line, bottom line, and cash flow. So total billings, I mean, obviously, you've seen the numbers increase by constant currencies...sorry, increased 70%, measured in constant currencies in q4, and 20% for the full year. So, delivering the high teens growth. Clearly due to very strong enterprise growth, as well as a nice contribution from SMB, driven primarily by increased volume and higher ASPs with existing customers. IFRS revenues grew 9% and 10% for q4 and for the full year respectively. I think as you know, the revenue growth rate has been below billings growth rate due to the base effect from the discontinued perpetual license business model. And during 2020, we still recognised roughly 46 million of previous perpetual license sales. And obviously, this figure now came down to only around 2.6 million 2021, and that means it depresses our reported revenue growth. Now that being said, this effect will finally fully disappear in 2022, so billings growth and revenue growth will be much, much more in line. If we take a look at the revenues from the subscription model only, they accrue 16% in the fourth quarter and 20/22% in '21 overall. So again, much more in line with our reported billings growth. Going forward, I think the picture will be much, much clearer there. Looking at profitability, we came out at the high end of our pre-release numbers with 257 million euro adjusted EBITDA or a 47% margin, clearly very attractive margin overall, despite our significant investments in future growth. That being said, clearly, we acknowledge that our margins are obviously down compared to an exceptionally profitable year 2020, which had all the pay wins from COVID-19. Moving onto cash flows, I think very strong set of numbers, very pleased to report the levered free cash flow which increased in the last quarter to 68 million euro, overall, up at 21%. And for the full year '21, levered free cash flow decreased slightly by 5%. Obviously reflecting the slightly lower adjusted EBITDA, but overall, still a very strong conversion. Now, let's take a look at our billings composition on the next slide, obviously an important breakdown. I think q4 was quite remarkable for two reasons. A, the net retention rate increased quite nicely. As you can see on the graph on the left-hand side, retained billings in the fourth quarter amounted to 133 million, reflecting a net retention rate of 105%.



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This is in fact one of the highest numbers we have reached. Also, new billings contributed well to our overall growth. Two quarters in a row, we achieved now 2 million of new billings, and this is despite the absence of free user monetisation. And looking at the year in total, we gained 94 million of new billings, which was obviously below the 2020, COVID-19 peak figure, but still a very solid number. Taking a look at subscribers, increase of 10%. I think those numbers are well known to you over the year, but basically essentially flat in the fourth quarter. This is primarily due to the suspension of the free-to-paid monetisation campaigns, which we stopped entirely during the third quarter, and our subscriber base, therefore, slightly decreased by net 1000 subscribers during the fourth quarter, which was pretty much in line with our estimates. I think you heard Oliver talk about the continued pause of this monetisation, and therefore subscriber growth will be more biased towards the second half of 2022. But despite no subscriber growth, we were able to grow our billings in the fourth quarter by 17%. And please remember that the bookend of our subscribers ASP can be 200 euro at the low end, but it can also be more than 1 million euro in the enterprise business. So very different bookends in terms of ASPs. Slide 22, clearly an important measure to reflect the stickiness of our customer base. The quality performance of the net retention rate showed, as I said, a strong improvement in the fourth quarter coming up to 105% and therefore pushing the overall net retention rate for the full year to 98%. As you know, that's been quite a roller coaster year in terms of net retention rate and its development. As we explained before, the one-time effects of right sizing of the COVID customers triggered the strong decrease, especially in the first six months. And then we saw a subsequent increase again in q3, and now in q4 up to 105%. So, very strong development, I would say. And, despite the lower net subscriber number in q4, new billing slightly went up to 20 million euro. This is a good achievement. Frankly, most those new billings relate to more sticky enterprise customers with deeper embedded use cases, such as AR or [0:28:12 unclear] enterprise connectivity in the price connectivity like ABB, as Oliver mentioned. And again, as we have not run free user monetisation anymore, I also believe that the customer cohort which we want lately, might turn out to be stickier than the ones from other quarters where we have new billings more biased towards lower ASP which tend to have a higher churn rate, then, the year later. Let's take a look at geographical performance on slide 23. In terms of regional performance, fourth quarter billings growth was especially strong in the APAC region, it's good to see, nearly representing one of our key growth regions. A bit of a tough year for APAC overall, but with a very strong finish that I...as you might remember, q4 last year was actually not that strong in APAC. So, they also benefited from a lower base. However, we clearly saw very good improvements, especially compared against q3. Q4, billings of 30 million, roughly representing 30% year on year growth, very strong. You also saw that we have a new leader: Sojung Lee. She's joined us as the new president of APAC in December, and I think with her, we won a clearly very proven enterprise software expert with significant knowledge in those important markets for us. So, very happy to have her on board. Let's move on to the Americas. Billings in the fourth quarter grew by 24%, also benefiting from some currency tailwinds as the US dollar strengthened. Growth in the Americas actually was clearly biased towards enterprise very strong pipeline conversion there. I think Patty Nagle, who joined us in May timeframe, clearly put together a very strong team and contributed quite nicely there. EMEA contributed billings of 86 million up 60%. I think Americas' performance especially driven by the enterprise sales, and EMEA recorded, good SMB results and also strong pipeline conversion but less strong than the Americas overall. So let's move on to the cost structure on the next slide. Overall, clearly, the business remains very



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scalable, despite our strong push into adjacent markets, and the even stronger push into our enterprise business. With around 93%, our gross profit margin remained comfortably past 90%. Actually even improving slightly compared to last year. So clearly showing that our infrastructure efficiently scales with a steadily growing business. And that's even taking into account that we further expand into the enterprise business with larger deals and more complex use cases. And now let's take a look at our OPEX functions. Clearly in line with our key growth initiatives, significant investments occurred - as you're all aware, especially in the marketing area. Now, reflecting the full impact of the marketing partnerships since q3, that's pretty much a flatline expense. So, each quarter, pretty much the same amount to be expensed for those partnerships. But also, in sales and marketing and r&d, we invested strongly but generally speaking, much more in line with billings growth. And then bad debt expenses also came down to 2.5% and 2.9%, in the full year, I think that has now been a very consistent development that our bad debt expenses came down, I expect it to improve, slightly going forward, as well as we become a more enterprise-biased business. Moving on to cash generation. Clearly a continuous highlight of TeamViewer, we continue to enjoy strong cash flow, and actually very high cash conversion. Full year pre-tax cash flow from operating activities was clearly impacted by the investment into the brand equity...sorry, into the brand equity partnerships. But that being said, levered-free cash flow in the fourth quarter actually 68 million, up 20% or 21%. Very strong cash conversion in the fourth quarter, and also actually benefiting from lower CAPEX and interest payments. As you can see, for the full year, levered-free cash flow slightly decreased, obviously reflecting the marketing partnerships, and the slightly lower EBITDA. That being said, we achieve the cash conversion rate of 61% of adjusted EBITDA. I think overall very strong. And actually, I would like to point out that our CAPEX and interest payments, both nearly half, so quite significant improvements there. And I expect them to stay at those lower levels going forward. And clearly, that means this healthy cash flow adds to an already strong liquidity position, as you can see in the next chart. I would like to take a step back here, quickly, I think there was a lingering question out there about our capital structure. And I think we wanted to respond to that today. So at the time of the IPO, the company actually had a leverage of about 3.5 times EBITDA. I think clearly, since then we've generated significant amount of cash, and delivered pretty fast now to 1.3 times. Two developments contributing to that. Obviously, this is driven by our continuously increased adjusted EBITDA, on one hand, and on the other hand, we consistently generate a significant amount of free cash flows. And if you add this together, we have now a cash position of a 550 million at the year-end of 2022, and a net debt position of 327 million. In q1 of the last year, actually, we also used the chance to strengthen the balance sheets and secured long term really attractive financing with the promissory note of 400 million euro, which we concluded by the end of q1 2021. And as you can see at the bottom of this slide, our financing structure is very solid, and long-term secured with no refinancing needs for the next two to three years. So overall, I think a very solid balance sheet. And therefore, now we've set ourselves a sustainable year and leverage target of roughly 1.5 times adjusted EBITDA. I think this target is derived from well-balanced and long-term secured financing structure and obviously takes into account our continuously strong cash flow generation. So wrapping it up on the next slide, quickly highlighting the cash profile of TeamViewer. Clearly, as a technology company, we traditionally have low CAPEX. And I think that CAPEX saw some peak during the last couple of years but has now come down substantially and will remain at those levels for the foreseeable future. We also had and will continue to have relatively low taxes, therefor in a significant



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amount of tax loss is carried forward. Therefore, our effective tax cash rate remains pretty low. That remains the case for the next two years. And obviously, we are able to achieve and generate significant adjusted EBITDA margins, even with significant impact of the marketing and brand investment, we retained margins comfortably in the mid 40% range, or 47%, for the last year. So finally, we consistently maintained a strong cash flow, and I think the profitable growth in the enterprise as well as the SMB business in combination with our now well-balanced billings and costs growth will further boost cash generation going forward. And if you sum all of that stuff, I think TeamViewer clearly has a highly attractive financial profile. And this financial profile and strong position obviously, helps us now and enables us to create value for our shareholders, basically on a new level, which leads me to the share buyback program. This program has been in discussion for a while and now we want to update you what we want to do going forward. So, let's move on to the next slide. I think we talked about...enough about our capabilities to deliver and our strong liquidity position. And therefore, we have decided to initiate a share buyback program with a volume of 300 million euro, or pretty much 10% of our shares. That's obviously fully in line with the authorities granted by our shareholders, in the AGM in 2019. Obviously, we also released an ad hoc announcement this morning. The program is scheduled to start tomorrow and is also expected to be completed within the fiscal year 2022. Obviously, the whole buyback program will be carried out in accordance with EU regulations and other applicable rules, and so forth. Important to note, the vast majority of the shares will be canceled, and therefore the share count of the company will be reduced accordingly, to roughly by 10%. I think this should clearly demonstrate the confidence of us in the strong outlook of the business and our commitment to shareholder value creation. By now allowing shareholders to participate in the success of TeamViewer. And with the remaining 200 million euro of cash, we still have adequate financial flexibility and firepower to execute in our growth initiatives. I think overall a very strong position to be in. Let's move on and conclude my presentation with the outlook for 2022. Clearly, as you heard Oliver talk, we expect continuing demand for solutions over the coming quarters. The global mega trends are still well intact and will continue to support our growth trajectory in 2022. I think the continued implementation of the method measures which we talked about and updated you today will further positively impact this development. I think against this background, we continue to target heightened billings close and expect billings in the range of 630 to 650 million euro for the current fiscal year. And revenue is expected to increase in the mid-teens to euro 565 to 580 million. Adjusted EBITDA margin is expected to be between 45 and 47. And furthermore, clearly, we always expect operating cash flow to increase again compared to 2021. For the midterm outlook, this remains unchanged as well, we see the mentioned growth rates for billings and revenue, as well as an improvement of our adjusted EBITDA margin going forward. And with that, I would hand back to Oliver.

38:17 Oliver Steil

I think we're matched up and let me close with some final remarks. I think from our perspective: 2021, a very remarkable year, with some challenges, but also some very strategic decisions which are very important on the partnership side, on the M&A side, on the development of the enterprise business, broadening the solution portfolio, and the like. So really significant decisions and steps towards continued



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profitable growth. So, we really believe we have set a clear course, and we deliver on this. We have delivered on our updated 2021 guidance, steadily generating high team growth in combination with strong profitability and very strong cash flows, as Stefan pointed out. We are pleased to announce that we will use our strong financial profile to return some of the value that we generate to our shareholders. And the share buyback program we just initiated strongly and clearly underpins our confidence in our business and the future growth of TeamViewer. This concludes today's presentation. And we now look forward to taking your questions.



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Q&A

39:29 Operator

Thank you. We will now begin our question-and-answer session. If you have a question for our speakers, please dial zero one on your telephone keypad now to enter the queue. Once your name has been announced, you can ask a question. If you find your question is answered before it's your turn to speak. You can dial zero two to cancel your question. If you're using speaker equipment today, please lift the handset before making your selection. One moment please for the first question.

39:56 George Webb (Morgan Stanley)

Good morning, Oliver, Stefan, thanks for taking my questions. I've got a few. So firstly, just want to start on net retention rates, which obviously jumped in q4 to 105% - looks like there's a bit of an FX tailwind? And how are you thinking about constant currency net retention rates across 2022? And what's your latest thoughts around kind of pricing levels on the SMB base? That's the first question. Secondly, just on the enterprise side, q4 good level of net additions. To what extent are those marketing partnerships having an impact in q4, and how sustainable you've used that improved pipeline conversion, as you look into 2022? And then just, finally, a small one on the adjusted cost lines: quite a notable step up in R&D in q4 that looks to be driven by more than just headcount increases. Is there anything specific going on there? Thank you.

40:52 Stefan Gaiser

Yeah, thanks, George. To start with NRR, we are clearly also very pleased with that development, I think. NRR portfolios are at 98%. Fourth quarter 105%, you pointed out yes, there was some currency tailwind, probably two percentage points, I guess, in the fourth quarter, for the year as a whole, pretty much unaffected by constant currencies. How do I see that going to 2022? Obviously, we've made this guidance now assuming roughly stable currency rates, what we currently see, and I would expect some slight improvements in that retention rate, I think it's a bit early to give precise guidance. But as you know, especially in the first six months, we have seen a negative effect of all of the right sizing and downsizing from the COVID customers. And that was quite a drag on our NRR. That being said in the second half, we recovered quite significantly. So it's a good trend. And I would expect, clearly that overall, we continue to improve our NRR for the full year, which was like at 98%. But bear with us, I think it's too early to give precise guidance there. But then thinking about pricing power and SMB space, I think we've now been able, again, to show a nice increase in ASP within the SMB space. This is driven by two factors. A, obviously, continuous upsell into the install base, more use cases, more embedded products, cross selling activities going on. So it's a well-balanced mix of more use cases and some price increases which you



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push through. And I do think the price environment is actually pretty stable. So, I don't see any indication that this would change, even at the low end. The marketing partnerships, the impact in the fourth quarter...look, I mean, obviously significant impact on the P&L. I think Oliver talked about in his presentation, what we see in terms of brand equity and the positive impact there. It did not really influence the top line, meaningful in the fourth quarter. It's also not what we expected. Frankly, we always said this is a long-term investment. But clearly from a brand perspective, very pleased with what we're seeing. Pipeline conversion, I think that's what the fourth part of your question. All very happy, what we've seen in the fourth quarter, I mean, clearly the fourth quarter for an enterprise business is showtime. And I think especially the Americas team converted their pipeline very well. Strong pipeline build and pipeline conversions. In EMEA, also good pipeline conversion. So overall very pleased with what we've been seeing, but obviously it's also the fourth quarter, and it's important to see that pipeline conversion the fourth quarter, as you would expect. Now, obviously some of the pipeline needs to be rebuilt, right. So all others enterprise software companies out there as well.

43:38 George Webb (Morgan Stanley)

And last question was around cost line R&D, anything special in the fourth quarter?

43:41 Stefan Gaiser

Not really. I think it's the full impact of the acquisitions, which we've done. That's about it. But going forward, its growth will be slower.

43:51 George Webb (Morgan Stanley)

Great, thank you.

43:59 James Goodman (Barclays)

Great morning. Thanks very much. And particularly for the extra disclosure around the SMB business as well. A couple of questions from me. Firstly, just on the headcount side. If I look at q4, there's been a meaningful sort of reduction in the sales and the marketing lines there presumably around the right sizing. So really I just wondered if you could talk a little bit about your plans in terms of headcount into '22. Are you expecting any impact from that lower sales headcount? And how are you finding employee attrition and the sort of general environment around employees, given the changes and movements last year? And then just secondly, I guess a slightly broader question on the outlook for '22. Nearly half of the growth this



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year from SMB versus enterprise. So just wondered if, rule of thumb, you're expecting something similar in this year. And then in terms of seasonality there as well, I think a sort of a flatter set of [0:44:59 unclear] than we've had previously but still a little bit of residual strength in q1 from that COVID period two years ago. So, would it be fair to say that you'd expect growth to be stronger in the sort of q2 to q4 part of the year? Thank you,

45:15 Oliver Steil

Hi James. Thanks. So just for your first question, headcount. Yeah, we had a headcount freeze, as you can see from the numbers after the very strong intake. But that's really just a freeze, no meaningful reduction. And especially, there's no meaningful headcount reduction in sales and marketing. So this is...these are two areas where we're investing. So there's regrouping underneath the heart so to say, but all in all, we have a strong sales force from marketing support. And that's not going to impact the growth and the initiatives for the...for this year.

45:55 Stefan Gaiser

I think, then, in terms of your rule of thumb, yeah, I mean, obviously, we don't give guidance between SMB and enterprise growth. But generally speaking, the way how we see that is not a bad approach, frankly. And that would equal to I mean, SMB growth 10% or above, getting to 12% growth. That's obviously the target, which we gave ourselves at the CMD. We're not quite there yet. But obviously, we put in place lots of measures to improve our SMB performance. And I think if we expect equal weighting of enterprise incremental growth, and as we increment growth, that's a good rule of thumb. And seasonality. Yeah, you're right, I would always expect a moderately, biased seasonality towards the second half. A) we continue the monetisation of free users, as we talked about, that's still the case. So, we don't use any of that for the time being. And then obviously, enterprise pipeline. Rebuild, and converting, obviously, is also biased, as for most other enterprise software companies, more towards the second half.

46:58 James Goodman (Barclays)

Okay, thank you. All of it just may be coming back, just on the employee side, just a little bit more detail. I mean, just around the general environment is clearly a topic across the space at the moment, just in terms



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of attrition versus wage inflation, you know, first is finding the right people and anything to add around that.

47:16 Oliver Steil

Yeah. Good point, clearly, we see that there is significant competition for workforce across all markets, I think started in the US, and now it's also reached Europe, in APAC was always very difficult to find high-calibre people. Certainly, we've used the regrouping exercise to also think about adjustments there in terms of increasing salaries and making adjustments for the people that are high talent, and we want to keep going forward and then on reductions in some places where we felt we are not in the best possible position. So, it's getting harder. Absolutely. I think we have an attractive compensation system. We provide significant opportunities. And, and we have an eye on that. I wouldn't say that we have difficulty finding people. Attrition has gone up in some areas, but also honestly speaking during the ReMax program, part of it was also semi-wanted so to say, so we were actually quite happy to have the opportunity to regroup in some cases, and in some departments globally. So all in all, I would feel well under control, but it's getting it's getting tougher for sure.

48:31 James Goodman (Barclays)

That's helpful. Thanks very much.

48:41 Mohammed Moawalla (Goldman Sachs)

Great, thank you. Morning, Oliver, and Stefan. A couple from me. First of all, just Stefan, you made the comment around sort of q4 being showtime for the enterprise sales force, but sort of the pipeline having...had to be rebuilt. Just curious to get your sense on kind of the visibility of this business, because it's obviously been very q4-loaded over the last couple of years. I mean, the overall enterprise and IT-spending environment, from everyone here is pretty robust. So I'm just curious what you can do around kind of driving more consistency here, both around kind of pipeline build, but are you also seeing any progress or evidence around some of the larger deals? And is that sort of baked into your expectations or not? And then secondly, just again, back on enterprise in terms of execution, you know, you know, can



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you maybe talk us through any sort of changes you have made to sort of make the existing executions a bit more, kind of consistent on this side as well? Thank you.

49:49 Stefan Gaiser

So, enterprise visibility, yes. When I say it's show time, clearly, I mean, as you know, enterprise business has always been biased towards the fourth quarter, whether we like it or not, it's just affected the enterprise software industry. I think what we've seen here is a good build of the pipeline, especially in the Americas. When Patty joined us she put together a new team. I think that the team, also with existing talent actually produced a very good pipeline and then converted really strong in the fourth quarter. And I think this was a progress across all use cases, and across all the [0:50:25 unclear] in the US. I think in EMEA, we are slightly behind. There was leadership change a bit later in the year, in the fourth quarter. And I think the pipeline build in the EMEA region, as we expressed in the third quarter, was not as strong as in the US. But they converted also very nicely, overall speaking. I think what's good to see from my perspective, is that the pipeline we have now built together with our key partners like SAP or Google and the likes is increasing. That's nice. Also, pretty much centred around the newer use cases, which tend to have larger ticket sizes. But clearly those partners, like I mentioned, they are also very much biased towards q3 and q4, right towards the end of the year when they convert the pipeline. But overall, happy with what we see, as you would expect going into new year, there is some carryover from pipeline which hasn't been closed, which we can close and disclose early on. But fundamentally, obviously, you need to rebuild the enterprise pipeline, but happy with what we've been seeing here. In terms of execution. Look, I think it's all about being close towards the deals and closely towards the enterprise team, I think that's what we've been doing over the last few months, also by Patty and Jan, who manages the EMEA enterprise team, and also Jung. I think, generally speaking, we're much closer to our...closer monitoring our enterprise development, sales productivity. And that makes me confident that we have it in place to deliver on our 2022 numbers.

51:56 Oliver Steil

And I would also say that, of course, what you call...make execution more consistent. I mean, if I turn it around, the inconsistency is, of course, also, due to the fact that we see really many positive movements. I mean, we see a move over the last quarters towards larger deal sizes, we see regional moves, we enter new verticals, to which we have been present before we did the acquisitions, to add augmented reality. So all of this is getting us larger projects, outsized deals at certain points in time. Plus, on top now we have the partnerships which we are launching with SAP and Google. So, I would say, in a way, a good problem to have because the share of new business to recurring renewal business is still very high. And then of course, that is towards the picture here and there a little bit. But with the overall growth way the track



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record, you see, except for the COVID quarters, I think it's impressive. So, therefore, I wouldn't call it an inconsistency, it's the growth...growing pains so to say of a business, which is really gaining speed.

52:59 Mohammed Moawalla (Goldman Sachs)

Okay, that's great. And if I could fit one more in. On the SME side, there has obviously been a deceleration in the sequential subscribers, but maybe Oliver, could you update us on the kind of state of the competitive landscape? Has there been any, sort of...[0:53:16 unclear] competitive at the kind of very low end? And, you know, I know, you talked about kind of stabilisation and gradual improvement. I'm just curious to get your perspective.

53:26 Oliver Steil

Yeah, I think the...I think pretty much unchanged, I would say. As we had discussed the, COVID wave has really brought in a number of new competitors, winning customers and trying to get customers and subscribers at the lower end. So, this is a numbers game, not a ASP game, so to say, [0:53:45 unclear] more ticket sizes. And I think we can do many things there. What we did in the past, clearly is we had a good portion of the subscriber growth through conversion of free users. We converted quite a few of them in the COVID aftermath. We felt now it's time to probably [0:54:08 unclear] our free user base a bit more, don't monetise too much, let them be on the platform and use our products and get to know other use cases. That's what we have implemented in q3 and also in q4, and that's what we expect. So, I wouldn't say there is no change in the competitive landscape. I think we have discussed it multiple times. But it's more like - we take a more aggressive stance, maybe, which is okay, let's let people stay on the platform and don't monetise them. Because we don't really need these extra subscribers to trend significant growth for the moment. And if you kind of take that 30 to 50,000 subscriber addition guidance, this is something which we can do at a later stage, if we need to and want to.

54:57 Mohammed Moawalla (Goldman Sachs)

Great, thank you.

55:07 Stacy Pollard (J.P. Morgan)

Hi, thank you very much. Maybe some quick follow-ups for me just digging in on that last comment around SMBs and the subs, we saw a little bit of drop from q4 to q3. Is that...when you talk about competition, you know, are you mostly competing on price, because the products are somewhat similar and commoditised at that level? Or are you somehow grabbing customers because of features or function? Or is that where



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the competitive landscape is? To really understand what are the...what the features are? And then second question, are you able to broadly quantify the impacts on the strategic partnerships with SAP and Google as you think ahead, so say, what portion of growth you'd expect them to contribute, either in 2022, or at some point in the future? And sorry, final question, re: capital allocation. Is the share buyback now THE priority focus, and how are you thinking of M&A? Maybe not as much plan for 2022, or do you see more opportunities?

56:08 Oliver Steil

Yeah, maybe I start with the competition point. I think if you get to the entry level, where you think about working from home, one computer connecting to another computer, where it's very hard to differentiate on features, because you're effectively connecting to manage IT equipment pieces, that's the other competition, I would say it's more on price. And we are...we have an attractive offer, which we call TeamViewer Remote Access, which is for this individual user situation. And in some markets, this is competitively priced, in others it's maybe a bit too high. But it's also not the key focus for us, so we haven't been reacting on this a lot. What we focus on is feature richness and quality of connectivity to all kinds of devices across all operating systems, reliability, performance, global footprint. In order for this to be really relevant you have to be a professional service provider using the product day in day out, in very different use case situations where you don't want to have a breakdown or a non-connection, and you want to have security. So, this is, I would say, the bifurcation. If there's focus on features and connectivity, resilience and reliability, then we win. If it's purely single person connecting, we are under price pressure, we tend to be not as competitive enough. That's why we are basically giving it for free at the moment. Which we always have. If you remember the IPO, we said the free product is the best protection against low-end competition. We haven't played that card over the last 24 months. But now we do.

57:52 Stefan Gaiser

And then maybe on the strategic partnerships, I mean, recapping 2021, I mean, obviously those have been closed and signed, towards the end of the summer, didn't expect significant contribution, 2021. Despite that, there was strong momentum in pipeline bills, especially in the Americas. I think we're well connected there with the team. We already closed a few smaller deals together with SAP, which is good to see. Also, Google supported us clearly in some larger deals, also very strong contribution there through indirect relationship support, I would say. So overall, very pleased with the momentum which we've seen. Now, it's obviously all about increasing and building the pipeline and start converting the same in the second half. I think it's a bit too early to quantify the full impact, frankly, but obviously, those strategic partnerships, open up avenues for significant growth in the enterprise space. I mean, last year, we did 40 million of



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incremental billings in the enterprise business roughly. I think it doesn't take a whole lot to imagine that successful SAP partnerships and Google partnerships can contribute meaningfully to those numbers.

58:59 Oliver Steil

I mean, the overall logic is that there's a complete new set of solutions, which are more and more adopted, which are based on the augmented reality platform. So really supporting other workers and employees which are not in the office environment, but which are outside the office environments, or call them frontline workers, or industrial workers, or service technicians, whatever, in this the clear trend to bring more IT, more software, more support, outside of the I...the headquarter, into these functional areas. And the nice thing is that I think we all align with this opportunity. So clearly, I mean, like Google - like others, but also Google - they want to increase their cloud consumption by new types of services that can be provided across the enterprise. Some, like SAP really expanding the proposition from ERP warehouse management to frontline worker support, our software coming into play sometimes in system integration, some professional services needed, which is then tapping into the traditional partner and network that is doing software implementation. So, I think a good group of companies coming around that opportunity, and that's why we're so positive about this future perspective.

1:00:22 Stefan Gaiser

And then maybe on the share buyback and M&A. Look, I think the key question for us was, how are we dealing with a significant cash position that we built up over the last couple of years, leveraged down 1.3 times. So that's...this enables us to do this share buyback. But that being said, I would feel very comfortable to take up leverage again, if the right target comes our way. I clearly think we have financial firepower and the flexibility in our balance sheet to pursue M&A. That's not immediately on the horizon, absolutely not. But we still maintain significant firepower to pursue M&A.

1:00:59 Stacy Pollard (J.P. Morgan)

Okay, useful. Thanks.

1:01:10 Hannes Leitner (UBS)

Yes, thank you for letting me on. There's always a couple of follow up questions, maybe on status questions, just to add here in regard to your conducted M&A, can you talk us through about the contribution for the for q4? And then also how, how that kind of now is a total group. For example, the AR



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mixed reality has contributed to enterprise feelings, to get a better sense of the performance. And then maybe just a follow up because you mentioned enterprise has been ahead reshuffling in Europe, is that anything related with Uber Max and with the management, and then just the second topic would be to discuss margins. q4 has been quite seen quite healthy margins. 2022 guidance shows a little bit less confident in it. Maybe you can tell us also over the near term in the midterm, the margin trajectory, as enterprise ramps up philosophically you should have the higher costs attached. So how do you plan to offset that moving parts? Thank you.

1:02:27 Stefan Gaiser

Yeah, sorry, just the first part, the first few...

1:02:30 Oliver Steil

So yes, so let's...So the first part, it was about the M&A that we did, the contribution in the fourth quarter, and the AR contribution, and the likes, and the reshuffle, so maybe I go first and then...

1:02:41 Stefan Gaiser

Fine.

1:02:42 Oliver Steil

So, I think the way to think about it is that we have fully integrated UbiMax, Upskill, and Viscopic into our product management, R&D and also go-to market and sales. Obviously, sales was more coming from the TeamViewer side, not so much from these smaller companies. So, significant contribution from AR. If you look at the enterprise in total, currently, Stefan can comment on the numbers, but I think important is to go forward pipeline. And as we see it in most regions, I would say that's somewhat like a split of 50/50 between topics which are centred around augmented reality solutions for frontline workers, one way or the other - can be manufacturing field engineering, service technicians, logistics, all the use cases really. And the other half, being classical [1:03:57 unclear] and engagement, manage connectivity, customer interaction, products, and so forth. So that's how I would say, contribution to the pipeline go forward. The EMEA reshuffling. No, that has nothing to do with UbiMax or anything like this. The three UbiMax founders are all still on board. One is our Chief Product Officer; one is leading the enterprise sales and solution delivery in in EMEA. And one is based out of the US really driving the augmented reality solutions there, with the president of the Americas, that's not the driver. The driver is really leadership change only, and



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then a little bit of recutting the regional teams underneath so nothing more than that. I think I let Stefan comment on the margin, but I... what is not true is that enterprise is depressing our margin, that...we have done the enterprise investments back in the year, so to say, and ramped up our sales force and also our R&D, product management, and the like. So, I think that ingoing hypothesis is wrong, on that.

1:04:44 Stefan Gaiser

Yeah, maybe just on UbiMax, really, because I think all of those three founders play a very important role within the organisation, as Oliver just mentioned, and obviously they have a very strong enterprise background. So, great to have them on board and it's good to see that their roles have actually increased in importance. In terms of margins, yes, Oliver is actually right. Now, look, I think enterprise is close to 20%. And there was always the question, is this going to be diluted? And it's not, it hasn't been. If you would rip out the marketing partnership effect on our P&L, it would still be at mid 50s, roughly, right? So, despite enterprise business growing, or nearly doubling last year, we would have been able to keep our margins at very high level. So, I think, from my perspective, no diluted impact. Why is that? There's no significant professional services, it's land and expense, taking SMB customers and converting them into larger customers. That's a big driver as well. And I don't think that's going to change going forward. Now, in terms of margin, you express it as having less confidence. I don't think so, frankly. I think, frankly, in 2021, we over-delivered against the guidance we gave ourselves was 44 to 46%. Now, we came out at 47%. I think we said, at the time of the Capital Markets Day, we want to improve margins, again, as we exit 2022. Now, I think we've achieved that goal a bit earlier in 2021. And I think the margin guidance we gave ourselves 45 to 47% is a good margin target. And it's not diluted. Clearly, we should bear in mind that in 2021, the first quarter didn't have the impact of the marketing partnerships. It still had margin of around 60%. But obviously, that's not repeatable anymore and that's the biggest reason for a potential adjustment of our margins. But as you pointed also out in the fourth quarter, we achieved 44% margin. So, very good. And, now we have the cost freeze implemented, as Oliver mentioned - or the cost pause, as Oliver mentioned - and that should help us to get the margin to the 45 to 47% level.

1:06:54 Hannes Leitner (UBS)

Okay, thank you. Just in regard to the cost freeze, just on the implied OPEX increase, it suggested you have OPEX increasing by 19% this year, so in line with the top line. So that's why the ReMax program should actually mitigate their sum. And that's why I suggested the conservatism. And just, last one, is on



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the enterprise, on the acquisition. So, you're saying that there is almost no contribution from Upskill and Viscopic in q4? Thank you.

1:07:33 Stefan Gaiser

Yeah, look, Viscopic was a small start-up which we acquired. So, the immaterial, and the same with Upskill, yeah. I mean, that's hardly material contributions from that, so. All the growth which you've seen is pretty much organic growth.

1:07:47 Oliver Steil

If that is what you're after. Technology package, right? They're part of the part of the solution portfolio, but you cannot...you cannot strip out...they don't...they didn't come with billings, which are now absorbed and would, kind of, devalue the organic growth of [1:08:04 unclear]. That's absolutely not the case.

1:08:06 Stefan Gaiser

Hans, maybe just quickly on the cost growth. I mean, obviously, the growth compared to 2021 is predominantly the full year impact of the marketing partnerships, right? That has started in the second quarter with half the charge, more or less. And since q3, it's fully expensed in the P&L, but obviously now going into q1, you will see a significant increase compared to q1 last year, or the run rate is now stable. If you compare q3/q4, it's pretty stable run rate.

1:08:37 Hannes Leitner (UBS)

That makes total sense. Thank you.

1:08:48 Gustav Froberg (Berenberg)

Thank you for taking mine as well. Good morning. I just have three very quick ones, hopefully, two on capital allocation and the share buyback program. I was hoping you could just give us some more colour, there, on how you reached the decision to reach...or to go for a share buyback program and how we should view what is effectively a return of cash for shareholders via share buybacks, versus the company's reinvestment opportunities and the maturity of the business? So just one question on the deliberations you



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made when arriving at that decision, versus investing in yourself via M&A or organically? Then a question on the shares you would like to cancel, to why would you not consider using more of the bought back shares as acquisition currency? And then the third question on costs. You mentioned during the CMD that you would like to start capitalising phase costs. Could you please remind us of what you expect the impact may be in 2022?

1:09:44 Stefan Gaiser

Yeah, Gustav. On the share buyback, the decision. Look, I think that was a... quite an intense discussion over the last quarter, frankly. Since we IPO'd the company there was the question already back then, what are you going to do with the significant case, you're going to generate over the next couple of years? And I think now, with a leverage of 1.3 times, we had to answer the question. And then obviously, we deliberated and conducted quite some intense reviews about balance sheet structure, and what is a reasonable balance sheet for us, what gives us still enough headroom to invest into the business. And we feel anything below a leverage of 1.5 times - this then allows us the opportunity to return cash to shareholders through a share buyback. And I think that's what the level of which we have already achieved. However, I think - and that's the good news - it does not eat into our reinvestment opportunities at all. I think we still have very strong financial firepower to pursue M&A, I would feel comfortable anytime to increase the leverage again, if the right target comes our way. So, I think this actually now gives us the opportunity - the share buyback - to let shareholders participate in the cash we generate, but at the same time does not eat into our future M&A plans.

1:11:06 Oliver Steil

Yeah, I think maybe for my side to add to this. The thinking process is that M&A is not on the list short-term, I think we clearly committed at Capital Markets Day that it's all about organic performance. We revised our guidance, revise our midterm plans, we gave details around value creation in enterprise and SMB, and it's about delivering on this in the short term. So therefore, no immediate thoughts on M&A, number one. Number two, if we were to do M&A, it's either - at a later stage - it's either tacking M&A, which we have very successfully done with UbiMax, Upskill, Viscopic in the past, and the current share buyback program leaves all the opportunity and flexibility to do so (if that would come along). The only limitation would be if there is a Mega M&A. And then we are anyway in a different game and need to think about different measures because then the capital that we have wouldn't be enough. And that's totally not



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on the horizon at the moment. So therefore, we feel...we felt, after quite some discussions, with investors over time, we should do this now because it's a good timing and we don't need the funds.

1:12:18 Stefan Gaiser

And then in terms of why cancel, not keep them for M&A currency. Look, I think it's just straight up to cancel them. We can obviously if we pursue M&A reissue shares, I think, technically, you know that's not a big difference, I think, but just...straight up to cancel them for the time being.

1:12:34 Oliver Steil

Yeah, as it's not on the short-term horizon.

1:12:36 Stefan Gaiser

Right. And then sales commission, your last point. Yes, we started capitalising some of those around 3 million in the fourth quarter, and I expect going to 2022 that to be in the mid-single digit million range. So, probably five to seven million on a yearly basis.

1:12:55 Gustav Froberg (Berenberg)

All right, good stuff. Thank you very much.

1:13:05 Gianmarco Conti (Deutsche Bank)

Yes, hi, there. Just a few follow ups for me, too. I have three questions. Just the first one. Could you perhaps share on your FY '21 base, what is the percentage of billings that comes from AR and IoT, and sort of what is the customer count evolution there? The second question is, if you could share some data, I know you've previously spoken on your CMD about IT versus OT use cases. How is that looking in the fourth quarter? And how are you thinking about the trends progressing into FY '22? If you're still seeing potentially more of OT use cases versus IT, and how you're measuring that. And the final one is just sort of a clarification. I wanted to understand whether your enterprise billings, I saw that you've converted sort



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of 12 million from the SMBs. I was wondering out of the h1 remaining, how much came from retain versus new wins? And how do the new wins in enterprise compare to the previous years? Thank you.

1:14:07 Stefan Gaiser

Okay, so on the AR side of things, I think we disclose at a Capital Markets Day that an APM basis, operational workflows, billings were around 13 million - one three - and that is subsidised and substantially increased in the fourth quarter as you would expect, and also highlighting some of the use cases Oliver mentioned, which included our frontline solutions. So overall, still, obviously relatively small, but it's part of new billings, especially in the enterprise business becoming increasingly important. Also mentioning the partnerships with Google and SAP that's obviously right now at this point in time, predominantly focusing on those use cases. And then thinking about the IT/OT use case split. Predominantly more bias towards OT, especially, obviously, the frontline solutions as well, or the whole AR suite. I think probably going back a year - one and a half years ago - was roughly split, I'd say 50% OT, 50% IT use cases or mains connectivity use cases. If I take a look at the pipeline today, it's probably rather two thirds, OT frontline-led use cases and 1/3 of the deals probably has an IT use case scenario to it as well. I think overall, it's well balanced, frankly. And it should see and has seen a significant, larger increase towards our newer products, which is very encouraging.

1:15:35 Oliver Steil

But it's also important to notice, I mean, most large customer situations have a mix, somewhat. There's either they start within IT and then have a... the plan to move into more parts of the organisation and connect more devices - or the other way round. To your the question, how do we measure this? I think the honest answer is that we have in the CRM, of course, we have a clear understanding of what the customers do. But we don't measure it with a single KPI because that...we try it in the past, and there's kind of specifics on connectivity and the likes, and the likes. But ultimately, the only thing that helps is to engage with customers and understand what they're doing. And that's not a, call it, quantitative measure which we, which we're following or managing. It's really not so relevant, the importance is that we sell more use cases to larger organisations.

1:16:29 Stefan Gaiser

And then lastly, on the enterprise new billings. A significant amount of incremental billings in enterprise came from new customer wins. Obviously, we have a strong net retention rate in the enterprise business. Overall, it's 105%, for the fourth quarter, you can imagine for the enterprise was significantly higher. But



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even that being said, we still had a very good intake of new enterprise customers in the fourth quarter - as you would expect, as well.

1:16:57 Gianmarco Conti (Deutsche Bank)

Right. And just a quick follow up. And are you saying that the free-to-paid campaign, you are sort of blocking it, even in the long term, like even in the future? Or is it something that you might revisit and sort of say if growth expectations aren't exactly what you want them to be?

1:17:20 Oliver Steil

No, I think the...yeah, good question, I think, the past had always shown - the past meaning before this whole COVID disruption - the past had always shown that it makes sense to convert some of the free users into paying customers in a given market, but then don't do anything for a while. Now, we have done very little in q3, nothing in q4. And as we said before, likely, the same will be q1, q2. But let's see. But that's the current planning. And then, most likely, we will do some monetisation, again, towards the second half of the year in selective market. And let's see what the contribution is. We feel very comfortable with this 30 to 50,000 new subscribers, which we want to grow, part of it will come from free-to-paid likely part of it will come from voluntary purchases, through other initiatives. So, this is...that's the way we look at it, at the moment. Of course, if we see significant other traction in other parts of the business, and we can suspend it even longer, then we'd likely do so. So that's out to be discussed later during the year.

1:18:32 Gianmarco Conti (Deutsche Bank)

Right, just one last, if I can fit it in in on my previous question around, you know, new wins in enterprise, are you not able to pin a number or quantify the percentage of enterprise billings that have arrived from new customers - not number retained or converted from SMB?

1:18:52 Stefan Gaiser

Yeah, look, I think that's something which we don't want to do at this point in time. I think the important step at the CMD was to give precise colour around those two different segments (SMB, and enterprise).



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But I think that's it for the time being. I think it was...going forward, we might change this. But at this point in time, we focus on providing overall billings split between SMB and enterprise.

1:19:15 Oliver Steil

And it's also not...at this point, I know...I mean, later, in future, it might be more relevant. But at the moment, we have so many customers where there is a contact and there's a license in our SMB base, and whether you call that a new logo, despite the fact that maybe there is a few 1000 Euro licensing, I think this is such a significant move upwards. And then there's a few customers that come in completely new as new logos with big tickets. But I think at the moment, I would say it really doesn't matter that much. Later, when we have more of these large logos and we talk more about upsell, development, and cross selling and we have maybe at some point, depleted the number of large organisations as out subscriber base, that will be a different topic. But at the moment, that's just not the operational reality at the moment.

1:20:12 Operator

As a reminder, if you have a question for our speakers, please dial zero one to enter the queue.

1:20:25 Victor Cheng (Bank of America)

Hi, thanks for taking the question. Two, from my side. Just to follow up on the net subscriber additions, can you provide a bit more colour on how we should think about it, particularly for q1/2? Is the target of 30 to 50k net new additions: achievable in 2022, or should we expect it to be a bit closer to the lower end? And then second question on the free user base. Are you able to break down the yearly active devices by device types, and how that has evolved over time? Has IoT become a bigger part of these devices? And if so, does that imply the free base [1:21:06 unclear] device actually has shrunk a bit more? Thank you.

1:21:12 Oliver Steil

So, I'd say net additions. As we said, 30 to 50k is the range of net additions we want to do and we can confirm that, probably weighted towards the second half, as I said, q1, q2. Probably suspended free-to-paid campaigns, so wouldn't expect significant net adds in these two quarters from today's perspective. For user base breakdown, no, that...we wouldn't go to that detail, we have different metrics around the free user base, of course, but I think that's nothing which we would want to disclose. And also, device type is interesting, but of course, if you look at the...just the sheer number of hundreds of millions of active



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devices, most of them are one way or the other Windows or Android operating system. So, breaking that out by device type, at the moment, is not that relevant.

1:22:12 Stefan Gaiser

The device type, we can't do anyway. The only thing is operating systems, right, are running on that. But as I said, this is not really meaningful, because obviously Microsoft is pretty dominant.

1:22:23 Oliver Steil

You can do Android, you can do mobile Android versions and it's not...it's not meaningful.

1:22:32 Victor Cheng (Bank of America)

Alright, thank you.

1:22:36 Operator

There are no more questions at the moment. For closing remarks, I'll hand back to the speakers.

1:22:42 Robert Hildebrand

Okay, thank you very much.

1:22:43 Oliver Steil

Yeah, thank you very much for the questions. And looking forward to talking again soon. Thank you.

1:22:48 Stefan Gaiser

Thanks, bye.



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1:22:49 Oliver Steil

Good day, cheers, bye.

1:22:51 Operator

Ladies and gentlemen, thank you for your attendance. This call has been concluded; you may disconnect.