TeamViewer

Preliminary Q3 2021 Results

6 October 2021

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TeamViewer has defined each of the following APMs as follows:

"Billings" represent the (net) value of invoiced goods and services charged to customers within a period and constitute a contract as defined by IFRS 15.
"Adjusted EBITDA" is defined as operating income (EBIT) as per IFRS plus depreciation and amortisation of tangible and intangible fixed assets (EBITDA), adjusted for change in deferred revenue recognised in profit or loss during the period under consideration and for certain transactions that have been defined by the Management Board in agreement with the Supervisory Board (income and expenses). Business events to be adjusted relate to share-based compensation models and other material special items of the business which are presented separately to show the underlying operating performance of the business.
"Adjusted EBITDA margin" means Adjusted EBITDA as a percentage of billings.

This document also includes further certain operational metrics, such as Net Retention Rate, and additional financial measures that are not required by, or presented in accordance with IFRS, German GAAP or any other generally accepted accounting principles (collectively, "other financial measures"). TeamViewer presents these operational metrics and other financial measures for information purposes and because they are used by the management for monitoring, evaluating and managing its business. The definitions of these operational metrics and other financial metrics may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of TeamViewer's operating results, performance or liquidity as reported under IFRS or German GAAP.

TeamViewer has defined these operational metrics and other financial measures for information purposes as follows:

"Levered free cash flow" (FCFE) means net cash from operating activities less capital expenditure for property, plant and equipment and intangible assets (excl. M&A), payments for the capital element of lease liabilities and interest paid for borrowings and lease liabilities.
„Net leverage ratio" means the ratio of net financial liabilities (sum of interest-bearing loans and borrowings, current and non-current, less cash and cash equivalents) to Adjusted EBITDA.
"Net retention rate" or "NRR" is calculated as annual recurring billings (subscription renewal, up-selling and cross-selling activities) over the last twelve months attributable to retained subscribers (subscribers who were subscribers in the previous twelve-month period) divided by the total recurring billings from the previous twelve-month period. (Note: TeamViewer amended the NRR definition with the beginning of FY 2021 to facilitate a direct derivation from reported annual recuring billings.)
"Retained Billings" means annual recurring billings (renewals, up- and cross sell) attributable to retained subscribers who were subscribers in the previous twelve-month period.
"New Billings" means annual recurring billings attributable to new subscribers.
"Non-recurring Billings" means all billings that do not recur annually such as professional services and hardware reselling.

Q3 2021 at a glance

Financials at a glance

	9M 2021	Q3 2021
Billings (non-IFRS)	€ 394m +19% | +21% cc[1]	€ 126m +18% | +18% cc[1]
Adj. EBITDA Margin (non-IFRS)	48% -9pp	34% -21pp

Q3 2021 with many improving metrics but growth much slower than anticipated

- Q3 2021 billings growth up compared to previous quarter (Q2 2021: +15%/+18% cc[1])
- Improving subscriber churn[2] (14.6% LTM vs. 15.5% LTM in Q2 2021)
- Q3 2021 recovery of NRR to nearly 100% after 88% in Q2 2021 – LTM now at 96% / 99% cc[3]
- 11% subscriber growth[3] to 628,000 subscribers at quarter-end
- Solid enterprise growth (LTM growth ~60%) but slower than expected, closed largest Augmented Reality deal ever, >€700k
- Billings miss resulted in lower adjusted EBITDA in combination with ramp up of cost base

[1] At constant currencies
[2] [Retained subscribers (LTM) divided by total subscribers (LTM-12)]-1
[3] 30 September 2021, LTM

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Billings by regions

Americas and EMEA with solid performance, APAC lagging expectations

AMERICAS

9M 2021 Billings

€ 133m

+17% | +23% cc

Q3 2021 Billings

€ 50m

+17% | +17% cc

EMEA

9M 2021 Billings

€ 211m

+22% | +22% cc

Q3 2021 Billings

€ 60m

+25% | +24% cc

APAC

9M 2021 Billings

€ 50m

+9% | +11% cc

Q3 2021 Billings

€ 16m

+0% | +0% cc

Underestimated headwinds have significantly impacted our business drivers

Driver	Measures/impact	YTD assessment
Innovation speed	• Small M&A for TAM expansion • Hiring in R&D / new offices • Margin dilution	Negative effects adding up
Enterprise Go-to-Market model now more expensive than expected	• Billings growth not in line with investment pace • Sales FTE increase • CLTV/CAC decrease	
Covid triggering pull-forward effect & more competitive environment	• Downsizing/rightsizing/less loyal customers from Covid cohort • Full focus on customer retention • New customer acquisition costs higher	Q3 2021 without assumed major reversal of trends
APAC growth program (esp. China) now struggling after promising start	• Missing billings growth contribution in 2020/2021 • Margin dilution from meaningful resource deployment	
More low-end competition	• Slowing free user growth • Reduction of Free-to-Paid potential • Webshop sales negatively impacted	Effects appear persistent rather than temporary

Adjusted guidance

New guidance for 2021 and ambition for future years

	New		Old		
	Outlook 2021	2022 and beyond	Outlook 2021	2023 Objective	Long-term ambition
Billings (non-IFRS)	€535m – €555m[1]	High teens percentage growth YoY	€585 – 605m[1] (lower end)	≥ €1,000m	Grow ≥ 25% p.a. after 2023
Revenue (IFRS)	€495m – €505m[1]	Mid teens percentage growth YoY	€525 – 540m[1] (lower end)		
Adj. EBITDA Margin (non-IFRS, as % of Billings)	44% – 46%	Margin recovery	49% – 51%	Around 50% until 2023	Margin expansion potential from 2024 due to scale effects

[1] Assumes USD/EUR exchange rate of 1.20 and broadly stable other currencies

Pillars of future value creation

Sustainable and diversified high-teens billings growth at outsized margins

1 New innovative solutions along the entire value chain

- Frontline/AR
- Upskill/AR
- Engage
- Classroom
- Endpoint mgmt

2 Growing number of new strategic partners

- SAP
- Siemens Healthineers
- More to come soon

3 Enterprise business gaining weight

- ~14% of total LTM billings
- ~60% yoy growth LTM
- Further ACV expansion with largest deal >€1m

4 Americas investment program boosting pillars 1 2 3

- Offices in: Tampa, Atlanta, Austin, Washington
- Enterprise sales force rebuilt
- >€700k largest deal
- Now traction in OT

5 Large-scale brand building already included in margin profile

- Manchester United
  - Global reach
  - Ronaldo
  - Huge activation potential
- Mercedes-F1
  - Record viewership
  - More US & APAC races

6 Relative resilience in SMB core despite Covid dislocation

- Improved churn
- Strong customer ratings (Trustpilot, G2)
- EMEA as most mature market growing 25% yoy in Q3 2021

All supported by global mega trends

Q&A