TeamViewer AG

Transcript – Preliminary Q4/FY 2020 Results Webcast

09 February 2021

Carsten Keller:

Thank you. Good morning ladies and gentlemen, and welcome to our preliminary TeamViewer Q4 and full year 2020 results call. I'm here with Oliver Steil, CEO of TeamViewer, and Stefan Gaiser, our CFO, who will take you through our presentation with some business updates and then details on our Q4 and full year 2020 financials. Following the presentation, we will open the floor for your questions.

However, before we start, I would like to remind you of the note on forward-looking statements that you can find on page two of the presentation. Let me now head over to Oliver.

Oliver Steil:

Thank you, Carsten. Good morning to all of you. Hope you're all well. Thanks for joining our results call. So it's a pleasure to discuss Q4 and financial year 2020 outcome, actually very pleased with the year, as you could see from the numbers. I think we were very happy to see that Q4 was a continuing normalization of the business after the corona pandemic effect in the first half of the year. Second half of the year "much more normal" and also very successful in that sense in digitalization projects for enterprises. So very pleased with the numbers. Overall billings came out at €456.7 million, which is slightly higher than our outlook. That's the organic billings total including the Ubimax acquisition for the last four months was €460.3 million. Very nice growth overall for the year. Of course, very different quarters, as you remember, but also the last quarter then contributing very nicely.

Very pleased with the adjusted EBITDA as well. We got to a margin of 56.8%, which is also higher than our outlook, which was 56%. And that brought us to a total adjusted EBITDA of €261.4 million, which is 44% reported growth, 48% constant currency growth. So very healthy numbers. I think what is equally important is where the growth came from and that we really see our initiatives that we've put in motion three, four years ago when Stefan and I joined are really successful, where we saw an increase in enterprise billing by more than 200%, 170% growth in enterprise customers. Tensor billings, which is the enterprise product which we built and brought to market a bit more than two years ago, 2.5 years ago, was more than 300% up. Remote access, the home working product clearly driven by effects from the pandemic, up almost 390%. And Pilot, the augmented reality product, the one that we had built organically clearly on a small basis but still 360% up, which of course was also one of the reasons why we doubled down on the AR space through the Ubimax acquisition.

So very good to see that our initiatives are successful. We have exceeded our results for the full year despite even increasing currency headwinds towards the fourth quarter, very important. Q4 was the strongest enterprise quarter. It's now actually 12% of the billings of fiscal year 2020. If you go back to the IPO, when that was this relatively small percentage and we said it's going to be a more significant part of the business. This is now true. And we also are very pleased with the tuck-in acquisition strategy. We have done Ubimax last year and we recently did Xaleon to broaden our solution portfolio. And we believe this is really a very important foundation for the growth going forward. So clearly one of the key drivers of our success in 2020 were, again, the various use cases that we address with our innovative products, of course, meeting state of the art security standards and also very high-performance requirement. And let me and go – give you two examples on the next slide.

So very happy to be able to quote those names. Also Siemens Healthineers to give an example. I think we were talking about medical equipment and the medical devices sector for quite a while. So specifically, Siemens Healthineers uses TeamViewer to support its imaging and laboratory diagnostic equipment, such as, for example, MRI, CTs and the likes which are deployed in hospitals and doctors' offices globally. So in this case, TeamViewer is preinstalled on those devices, enabling remote troubleshooting by having specialists connect directly to the affected devices by a very fast and secure high-performance connection. So it's remotely connecting into these devices and being able to troubleshoot. Clearly when you have that rapid assistance from the distance that avoids travel, so really physical travel, it also helps clinic operators and staff to ensure that you have continuous medical care for the patients. So we're reducing downtime, of course, increased the uptime of these machines, which are incredibly complex and also costly. So very clear ROI.

Looking ahead, the number of use cases for this remote access that Siemens Healthineers sees within the clinical environment is actually increasing. And that's why such partnerships with innovation leaders in that field become increasingly important. We learned what they want to do. We continue to build our product around it, and thereby, increase the potential for digitalization in certain industries and certain sectors. And that's why we like those partnerships, and we see very big potential in building those partnerships.

Another interesting case, a different industry kind of comparable is from Lely, a leading designer and manufacturer of automated systems for dairy farmers around the world. So this is in the smart farming area. Lely has upgraded to TeamViewer's Tensor Enterprise Suite as increased demand scalability and auditability have become requirement. So the broader scale, more people using it, more devices connected and higher auditability requirements out of this. And of course, they – it's a large organization growing customer base, so they had to go from TeamViewer classic core to Tensor. What Lely does with it is actually remotely accessing equipment that streamlines their support processes and allows them to troubleshoot really from the distance. The support technician can instantly remotely connect to equipment in any location really and that allows them to centrally support farmers, thousands of farmers in more than 45 countries by now. We're also working with Lely to explore the possibilities of using TeamViewer IoT to collect even more data and learn more from the data that has been provided by the equipment and then play that back to their organization and work with this data. Two examples, really many situations where we collaborate very closely with our customers and partners to create and package these connectivity solutions in different areas of the organization to drive the price, the value of digitalization.

If we move to the next slide, we see a few more deals, selection of further deals that we've closed in the fourth quarter. Again, we were able to close a good amount of larger Tensor and Frontline tickets especially with customers across the industry, so industrial applications, industrial sectors. And if I highlight a few transactions here then you can see how we differentiate against competition. So there's a very large Frontline deal, for example, comes from the US automotive. It's an automotive customer that has implemented xAssist for augmented reality-backed remote work guidance at their car dealers. So the classical use case you have mechanics that are out there in the field. They are less trained than the experts that are in the central location. And the mechanics receive technical instructions via smart glasses to perform their service tasks. And through this way of augmented reality supported collaboration, the knowledge is actually shared in a very efficient manner and the downtimes are reduced because you can have all the knowledge that are sitting centrally in the headquarter and any repair center you can basically provide that knowledge to workers in the field. Currently rolled out in the US and the UK. And the customer wants to implement the solution also in other regions around the globe. That's the typically process, they take one location or one part of the company. They install the solution and then they scale from there, which is a very common way how the Frontline solution is being rolled out.

There's different – another example, also Frontline. It is the US manufacture of medical devices, are also using xAssist, to guide clinical staff via smart glasses through medical treatments given to patients. So basically there's a Frontline remote expert. And that expert participates in the treatment as if he was on site and instructs the doctor through AR to ensure that the procedure is being conducted correctly. So here, it's a different case, so this is not troubleshooting or maintenance of any devices, but it's actually the regular business process, medical treatment of a patient where the expert is participating. So it's a live AR medical treatment – AR supported medical treatment. And that's a great example of how we are moving from maintenance of equipment in supporting people who were on site, supporting them in their regular processes, as I think you have heard examples of xPick in the warehouse, you have heard examples of xMake in the manufacturing plants, where people are working on the assembly line, new technicians for remote maintenance. Here, we have a different case. Here, we have support of a knowledge worker, so to say, doctor in this case, or paramedical treating patients. So, very, very interesting.

This is the Frontline piece. Just two examples on Frontline. In addition, of course we have also Tensor deals, more horizontal deals, the big driver of our success in the last quarter as well. There's a couple of them on the very top of the list with contract values ranging from €100,000 to well above €200,000.

Again, compare that two or three years ago, a very different world. And it's also worth highlighting that the financial services sector, including banks, insurance companies, are also increasingly interested in those solutions. I think here the pandemic has brought quite some extra push because also these organizations had to think about more remote work. For example, the last German financial institution has decided to roll out Tensor for their internal support. Why does it work now? Why is it interesting? With the Tensor product, there's features which are important like single sign-on, conditional access, state-of-the-art security standards. Those are very important for those type of customers and also for this particular customer.

Well, just a few examples where our customers around the world use our solutions to digitalize their processes really of all types. And this success is built on continuous innovation, product improvement such as the integration of co-browsing into the Tensor suite. So this is the latest example where already last year we decided to pick a co-browsing solution and integrated into the Tensor suite, which has been delivered by Xaleon. And we then decided to acquire Xaleon because we've seen the significant interest from customers for this solution. Why is that? More and more companies are very dedicated now in virtualizing the sales and service interactions. So if you order cars, if you order furniture, if you work on customer service with your insurance company, many of these situations are now virtual, partly remote, based on an interaction platform. You use chat. You use co-browsing. You also finalize a contract. You have electronic signatures. So all of this is a customer engagement suite, as we call it, which Xaleon is a provider of and we decided to integrate this into our platform. So very interesting to broaden the solution portfolio like this. And I think you can see on our steps that this has paid off.

So if you go to the next slide, just to give you a bit more color on the enterprise development. During the fourth quarter, we have won additional 227 enterprise customers with annual contract values of €10,000 and also growing this customer base to 1,885 enterprises around the globe. You'll remember it's very important we've put this – we've picked this €10,000 number because we believe this is kind of a threshold whereby all sales channels are positioning the Tensor product, which comes with much higher security features and allows for significant up and cross-sell potential going forward.

So this increase is 170% increase over the last 12 months and 350% more than at the end of 2018. So we can clearly see how much traction we win there. If you compare this to our overall subscriber growth, you can clearly see how fast the enterprise business has been ramping as a result of innovative product, the much broader solution portfolio, and of course significant investments into our global enterprise sales team, which we have started to do in three years ago. Overall, billings from this customer has tripled in size. Now we are €53 million in 2020, which is now to represent our total billings, as I said before, so getting – it's getting really significant also in terms of total billings. We've told you that as a percentage of new billings, of course, it's even higher and even more relevant, but it's also now kind of making an impact on the total billings. While the majority of our billings have been generated from customers with ACVs below €10,000, that continues to be the case. We are very pleased with this shift towards higher priced subscription in 2020. Clearly, this is one growth initiative. Remember we were also rolling out to our to APAC countries. We were doubling down on the Americas, more and more use cases for that enterprise motion has actually worked extremely well. Clearly higher price subscription. This is fueled by up in cross-sell. It's not fueled by price increases. We still haven't done almost any price increases during last year. So this is really positioning more solutions either Tensor or Frontline or acquiring new customers with more differentiated solutions, say, qualitatively different type of business we do with these customers. And as you can see, the share of enterprise billings with ACVs of 100k and above has already been 25% by year-end. I think these numbers show that our investments that we have done strategic growth initiatives to increase the enterprise footprint have really paid off. And I think the key thing to note is that we are operating in a world where there's lots of changes.

We have talked about these trends already years ago and at the IPO. And I think by now what is really clear is that the way we work actually it really changed. And I think as we always said, the pandemic was a catalyst to this. Companies of all sizes and in all sectors do see what has – what is possible. And there will be more change coming. There will be more digitalization coming. And that's the key driver for our success going forward. And in order to really leverage those trends and those developments in the best possible way, we have invested quite significantly to broaden our solution portfolio.

So if you look at the next page, we really have something to offer now across the entire value chain. Clearly areas like the product development, where you have shared workspaces, work from anywhere, this is where TeamViewer core has been successful for long year. The same is true in corporate – in the corporate environment and the IT environment, where we talk about IT support, asset management, asset monitoring, tracking, quality insurance and so forth. These were areas where TeamViewer has been very successful for years. We've told you and we've shown you at the IPO road show that we are decisively moving into non-office applications, and that we have connectivity in these places as well, in vehicles, in buildings, in manufacturing footprints, machinery of all kinds. And we have doubled down on this. So in manufacturing and supply chain, we have doubled down by doing the Ubimax acquisition. Clearly there, we have an AI suite. We are now able to support robotics more or at least call it semi-robotics while we're supporting frontline workers. We have solutions for shop floor and warehouse manufacturing, servicing applications through Frontline. So this is why it's shown in red here because Frontline has a kind of the red color.

And then at the other end of the spectrum, sales and service. Clearly sales doubling down with Xaleon acquisition being able to drive customer engagement solutions, customer interactions even more in an integrated way. And on service, we have the classical customer support where TeamViewer was strong. And now we have repair and maintenance with Frontline and Pilot, where we're supporting experts which are out there in the field either completely remotely or in a hybrid model where the expert is remote and another operator is on site.

And if you think about the Siemens Healthineers example, it could be any flavor of doing work completely from the distance or with the help of somebody who is on site. So very interesting positioning now. We have the offices in all markets. We have the offices in all major markets now. We have increased our footprints in APAC. We have doubled down on – in the Americas. We have a new solution portfolio, a much broader solution portfolio with Tensor, Xaleon, Frontline. And, of course, the continuous development of TeamViewer Core and TeamViewer Remote Management.

And in that sense, we've delivered significantly across these three dimensions that we have been showing you at the IPO, which is use case expansion into all parts of an enterprise, getting ready for enterprise customers by having the latest and best security features and then also having a global footprint. We have done so organically. We have invested a lot into R&D – into our R&D force. We have done selected M&A as tuck-ins to improve the portfolio. We have shown that we can grow into enterprise. And we know that the whole market is anywhere growing at 27% plus in all its different elements. And that's why we believe we have all the room to grow with our solution portfolio for the next coming years. We believe the 30% around this 30% growth over the next year's CAGR is something which we will achieve. And logically, that will be a €1 billion revenues by the end of 2023. And we wanted to give that mid-term objective because I think with the corona pandemic and the turmoil around it last year, we got up quite often what the mid-term outlook would be and how this all fits together. And now with the full portfolio, our sales footprint enterprise readiness, we feel strongly that this is the direction of travel going forward.

And with this, I would like to hand over to Stefan.

Stefan Gaiser:

Thanks, Oliver. Good run through. So a warm welcome from my side as well. Good morning, everyone. Let's take a look at the year 2020, and then obviously focus on the guidance for 2021.

On slide, 11 you can see that with the strong Q4 we have closed another remarkable year. There's record billings of €460 million. And as Oliver already mentioned, the past year has clearly revealed the need of digitalized processes and remote work across the business landscape worldwide, especially in the first half of the year as we talked about a lot. We have seen that accelerated immediate demand for remote working solutions. But also in the second half of the year, when we returned to more normalized trading, our strong business performance continued with very high growth combined with above-industry average profitability is now post the pandemic closed two quarters with around 30% growth. So very good to see that our organic growth directions are very well on path.

So this development has again demonstrated the attractive growth markets we are addressing, as well as the resilience of the business model, and showed once again that the growth initiatives we have taken over the last years have clearly paid off.

So let's take a closer look at the figures. In Q4, billings were up 32% year-over-year on a constant currency basis. Obviously, that's an increasingly important metric stripping out FX headwinds. We are very pleased with this growth rate on top of a very strong fourth quarter last year. And this has concluded the year 2020 very successfully and resulted in billings growth of 44% on a constant currency basis. With billings of €460.3 million, of which €3.6 million came from Frontline, we slightly beat the 2020 billings guidance that we raised in November. As you know, our global billings are exposed to FX movements, in particular to the US dollar, which comprise around 30% of overall billings. So but despite that continued weakening of the US dollar during the last quarter, we achieved 27% reported growth in Q4, 42% for the full year, again, demonstrating the strong underlying business performance. On adjusted EBITDA level, Q4 grew by 22% year-over-year on constant currency basis and 50% on reported basis. So despite the significant investments we made during the year, as well as the initially dilutive impact of the Ubimax acquisitions, as you all know that business was more less let's breakeven, we have been able to keep our margins at very high levels of slightly above 56%. And for the full year, in fact, our adjusted EBITDA margins increased from 56% to 56.8% and again, slightly above our guidance of the adjusted EBITDA range. And we increased our adjusted EBITDA by 48% constant currency and 44% reported.

So let's take a look at the regional performance. Again, a pleasure to report a strong traction across all regions. Q4 has again underlined the strength of our global business covering all customer segments now in all regions. Americas has performed extremely well in Q4, showing the highest growth of all regions, this 48% on constant currency basis. We have seen a very strong traction across all sales channels in Q4, clearly, showing the results of the sales investments and the market potential we are seeing there. Q4 has also benefited from the resumption of free user monetization in North America up until Thanksgiving more or less as we talked about. But due to the continuing devaluation of the US dollar as well as other currencies in the Americas, especially in Latin America, reported growth is 12 percentage points lower and at still a very healthy 36% growth rate. For the full year, Americas has performed very nice with a growth of 50% constant currency and 44% reported growth. And resulting in €157.7 million, which amounts to a third roughly of our total billings, showcasing our success in the market and frankly our rising importance to us.

Moving on to EMEA. It remained the largest of the three regions with Q4 billings of a bit more than €73 million. Very pleased with the well-balanced growth of 28% constant currency across all customer segments in our core markets including Germany, UK, France, and Italy. Very pleased to say that the EMEA enterprise business had a particularly strong Q4, really strong pipeline conversion including significant new deals, as Oliver mentioned, in the OT space, but as well as a significant up and cross-sell to existing Tensor in Frontline customers, very strong contribution For the full year, EMEA delivered billings up 42% of €246 million and still representing a bit more than 50% of overall billings share, clearly showing that our investments in sales and solution delivery are paying off. And we are able to realize strong cross and up-sell to our customer cohorts.

And then finally, APAC. The Q4 billings have been up 6% constant currency resulting in a bit more than €10 million of overall billings. The reason for the lower growth is that we've implemented tighter credit controls here during the year. And as such, certain billings from certain customer segments are only taken into account if and when paid and covered with no free user monetization in the fourth quarter, this clearly caps reported growth while underlying growth was actually significantly more healthy. For the full year though, strong underlying demand has continued resulting in high growth of close to 40% constant currency, mainly due to the very strong performance across all sales channels, particularly in Japan, which doubled in size and is now actually the largest market size in APAC and roughly contributing 30% of overall billings in APAC, clearly showcasing the growth potential we are having there and Japan is becoming increasingly important.

So turning to the next page, subscribers and metrics. And you can see that our subscriber base kept growing strongly to around 584,000 at year end, corresponding to an increase of 26% over the last 12 months. And on a net basis, we added roughly 120,000 during the last 12 months. ATM subscriber churn has decreased slightly from around 16% to around 15% now, pretty much in line with our expectations. And – but when we assess our subscriber growth against the billings growth, it becomes clearly evident that our deal sizes are increasing as the enterprise customer base growth has clearly accelerated. We also still convert the long tail of all the perpetual customer base even though the amount becomes continuously smaller, less material. But nevertheless, it reflects the stickiness of our product and continued usage, even across significantly older customer cohorts.

Let's take a look at the billings composition and the key elements of the 44% billings growth. Clearly, the broadened solutions portfolio including Frontline for AR supported workflow management, was a key driver to drive new billings, as well as the monetization and addressing – successfully addressing the potential this larger up and cross-sell in our installed base. New billings growth has accelerated compared to the last year, fueled by the enterprise business as we talked about and higher deal sizes in general. Our NRR has stayed comfortably above 100%, reflecting the strengths of our software-as-a-service model and continued low churn. Up and cross-sell was again higher than cross value churn. And FX headwinds had a negative impact of 1% during the fourth quarter. And please remember our net retention rate is calculated for an LTM basis always and is based on billings net of payment defaults compared to the gross billings shown in the tables below. As our payment defaults have now significantly improved and normalized around or below 3% and also based on improved insight into our customer base, we will augment the disclosure going forward so that you can fully reconcile our calculations.

Let's move on to next slide covering the cost structure. GP margins have remained comfortably above 92%. That's what we expect also going in 2021, despite the significant investments we made into additional routers and the general IT infrastructure to deal with the increased usage of our platforms since the outbreak of the pandemic. We talked a lot about our growth strategy in the past, which includes significant investments across all functions, especially hiring more people. During 2020, we've significantly strengthened our sales force by growing it by more than 50% with a clear focus on solutions sales, which resulted in more than 70% growth in sales expenses, obviously, also including significantly higher sales commissions payouts, given the very strong outperformance in 2021.

But also R&D saw a significant increase. R&D FTEs increased by more than 50% with a focus on augmented reality in IoT solutions, and therefore resulting in more than 40% growth of R&D expenses. But as I mentioned, we've invested across all functions and also increased our investments in corporate functions to provide an even more scalable platform, corporate platform going forward. And therefore, as of year end, we employed 1,256 full-time employees, nearly 50% more than a year earlier. This also includes the 75 new colleagues from Ubimax, which have already been merged into the TeamViewer Group in January. So very fast post-merger integration process. Legal entities have been merged. So very clear to see how fast we are progressing here. But despite all those investments into product development, sales and marketing and corporate infrastructure, which will allow us to fully address our potential, we have achieved an EBITDA margin of 56% in the fourth quarter and 56% or slightly more for the full year, in fact, slightly ahead of our guidance overall.

Turning to the next slide. Profitability remained very high in Q4, so did our cash conversion, a very strong fourth quarter. Net cash from operating activities before tax has increased 60% for the fourth quarter and by 60% for the full year. Tax payments also increased to a more normal level, in line with our expectations. CapEx, excluding M&A, came out at the lower end of the guided range of €25 million to €30 million. And as these one-off CapEx investments are related to our new headquarter and the rollout of our newer ERP system, which has now been largely completed, we expect CapEx to decrease to well below €20 million in 2021. Now due to the substantially deleveraging and improved loan financing terms, we are also able to significantly lower the interest paid compared to 2019. And therefore, as a result, our levered free cash flow has increased very significantly by 78% to €56.1 million and more than doubled to €165 million for the full year. And please note that the full year 2020 level cash flow excludes loan repayments of €62 million and the €84 million cash paid for Ubimax.

And as you can see in the next page, our net leverage has been used significantly and we used the cash flow to make further loan repayments in Q4. And therefore, net leverage is now down to 1.7 times, very healthy ratio, 0.3 below the target, which we have given at, at the time of the IPO. Clearly, very pleased with this development and continues to demonstrate our unique financial model, strong billings combined with very strong profitability, resulting in very strong cash flows. And despite the €26 million of CapEx, despite the Ubimax consideration of €84 million, and reducing loan facility by €100 million, cash and cash equivalent stood at €83 million at year end. And so very strong cash generation. And I think the improved credit profile and our strong balance sheet gives us clearly quite some firepower to continue the strategy around smaller acquisitions.

Now before we come to the 2021 guidance, I'd like to take the chance to summarize the results of a new carbon emission avoidance study, which were conducted by a leading sustainability institute, which is called DFGE. They cover significant amount of DAX companies as well. And we have released that just last week highlighting the importance of our ESG initiatives. It's clearly part of our vision that our remote connectivity solutions not only help to save time and money, but also they have a significant positive impact on the environment and, in fact, combating climate change. Therefore, we have commissioned DFGE to quantify the impact that the use of TeamViewer solutions have on the environment in a scientific study. And not surprisingly, we have found out that TeamViewer solutions help to significantly avoid carbon emissions. And in fact, it helps towards 37 megatons of carbon emissions per year based on the data collected by DFGE. This is equivalent to a fully booked A380. Obviously, nowadays they are not flying so much anymore. But this is equivalent to such a plane flying 7,000 times non-stop from Singapore to New York or equivalent to the emissions of 11 million average cars in one single year. So very substantive carbon emission reduction as part – as a result of the usage of our product. So a single TeamViewer subscriber actually can avoid on average around four tons of carbon footprint or carbon emissions per year.

I think this proves clearly that our solutions are playing a critical role in helping organizations globally to avoid their carbon emissions. And I think furthermore beside contributes greatly towards meaning –

meeting the sustainability goals to limit global warming preferably to the 1.5 degrees as set out in the Paris Climate Agreement. I think we are clearly convinced that digitization is a key lever to fight climate change and ultimately create a cleaner and more sustainable future for all of us. So we are well committed to constantly developing a new range of tailored solutions that connect people of all kinds of devices around the world. And you will hear more about our ESG initiatives in the future. But this is a very strong start overall.

Now, let's turn to the outlook for 2021. Building on this very strong development in 2020, we clearly expect to keep our growth momentum in 2021, supported by all of the mega trends around digitalization and sustainability. We expect constant currency billings growth of 29% to 33% in 2021, including the contributions from recent acquisitions. Due to the exchange rate headwinds, primarily related to the US dollar, reported billings is expected or are expected in the range between €585 million to €605 million, with quarterly growth rate in between 20% and 40% reported year-over-year. And this is all based on a US dollar exchange rate of 1.20 per euro and broadly stable other currencies.

Full year revenue is expected to be in a range between €525 million and €540 million. Revenue growth is still slightly below billings growth as the recognition of prior year's perpetual licenses has now been phased out. But going into 2022, revenue growth is projected to be in line with billings growth. And in terms of operating profitability, we expect an adjusted EBITDA margin of 55% to 57%.

So that concludes the billings guidance. And now we would open it up for Q&A.

Operator:

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's star one to ask a question. We'll now take our first question from Stacy Pollard from JP Morgan. Please go ahead. Your line is open.

Stacy Pollard:

Hi. Thank you very much for taking a few questions for me. First of all, can you talk us through your enterprise sales team? How many people were located? Secondly, you mentioned no price increases so far. So wondering what your plans are? If you might have any plans for 2021 on that front. And sorry, third question just competitive environment. The outlook for the sector is strong. So why not attract – why don't you think it might attract more competitors, just sort of where you stand there? And then more specifically you're pretty focused, it seems like on machine connectivity, as opposed to maybe all PC to PC. So who is your specific competition there? So sorry for so many.

Stefan Gaiser:

Sure. I'll start with the enterprise. So the enterprise team, which includes, what we call the mid-market team, i.e., the account executives as well as the sales team focusing on mid-sized enterprise deals, is now more than 100. People around 116 overall, of which a bit more than half is based in EMEA. Clearly, EMEA was the region where we started the enterprise to address the enterprise potential in the first place, followed by the Americas, where we have around 40 people. And then a dozen or so in the APAC region. We've clearly significantly strengthened that team now also due to the Ubimax acquisition, which brought along quite some experienced sales – enterprise sales team as well. And we continue to expand that in that region especially around OT and IoT use cases. And so you will continue to see a significant increase of our enterprise reps going forward.

Oliver Steil:

And maybe price increases, indeed, as we've said, like-for-like price increases we haven't done last year. I think for renewal price increases, we've also not done renewal price increases because we only move to subscription some years ago. And we clearly wanted to give customers the confidence that we are not doing any price hikes after the subscription migration, which other players had done in the past and wasn't helpful. So we were keeping that – keeping prices stable. This year, we are planning to do smaller renewal price increases, like is normal in the industry. So there we're talking inflationary price increases, 3% to 5% depending on market and product segment, and clearly always based on cohort analysis. We've done testing before. We understand that the churn risk is low in most segments where that's not the case as we refrain from price increases. So you can expect a small contribution from renewal price increases in 2021.

Competition, I think it's fair to say that in the area of digitalization, there is a large number of players, large and small playing. It's a huge market across sectors and functions in businesses. So we continue to work in IT support very clearly and in remote access, and we consider ourselves one of the leaders there, because we have the largest number of subscribers and the largest number of free devices. We're using that strong position to move into new areas, for example, the industrial segment. I think with the acquisition of Ubimax, we have one of the best solution suites in the AR-enabled, if not the best solution suite for frontline workers. So that's something where we've run into other competitors. But – so for example, PDC or other large players that have industrial solutions and IoT solutions. But I think it's generally fair to say that this competitive environment in the digitalization days, when we talk about industrial applications, frontline working and so forth, that the competitive environment is relatively benign, because a lot of it is greenfield or brownfield installations with a new project where industries in different countries only now start to move decisively into the space at their pace. And therefore, we feel that we are very well positioned when it comes to competition.

Stacy Pollard:

Okay. Thank you.

Operator:

We will now move to our next question from Mohammed Moawalla from Goldman Sachs. Please go ahead. Your line is open.

Mohammed Moawalla:

Great. Thank you very much. Good morning Oliver and Stefan. I had a couple as well. Firstly, as we think about the 2021 outlook, the midpoint is sort of around 31% growth. How should we think of the quarterly cadence of that? I know you're lapping some pretty tough comps in Q1. So maybe give us a sense of how that kind of Q1 could progress, but also your visibility around sort of Q1 across both enterprise and the core connectivity business in SMB? And then secondly, as we think about the business going forward and that mid-term outlook you've given, what's the sort of expectation on enterprise growth? Are you still expecting that to kind of significantly outgrow the average? Is that kind of tripled? How long is it triple-digit sort of momentum sustainable in your view? And any comments on sort of pipeline? And obviously deal sizes are clearly going up. So could we see potentially a bit more lumpiness around the delivery of growth or do you have any more visibility around that? Thank you.

Stefan Gaiser:

Sure. Let me start with the phasing of the quarterly growth in 2021. We set out that we expect each quarter to grow between 20% and 40% compared against the quarter of the comparable period. And clearly, that's a bit tougher in Q1 and Q2, A, due to the fact that we've been growing very strongly in H1 2020, but also due to the fact that the FX headwind is – FX rates remain as they currently are. It's most pronounced clearly in H1 before we move to more like the like-for-like basis.

But that being said also in Q1 and Q2 we expect growth of 20% obviously depending a little bit on when we flow in free user paid monetization. That's one of the levers which we can pull to achieve higher growth and so forth and so forth. And really as you said, the enterprise business is gaining in importance. In Q4, we've seen the strongest and experienced the strongest enterprise quarter ever despite actually a pretty good Q1 and Q2. We had the strongest quarter in the fourth quarter towards year end, very strong pipeline conversion in EMEA. I think the team is extremely close to the pipeline, pipeline built and pipeline conversion. And based on what we see – what we saw in Q3 and in Q4 and now also early in Q1, we have very good visibility into our pipeline. And that makes us confident that the enterprise business is on the right path. And the pipeline overall is very healthy. Customer engagement is healthy. A couple of deals, as you would expect, were closed early on in January. So from all what we see in the enterprise, very good. We feel very good about it.

We did outgrow the rest of the business. Absolutely. Really triple in size compared to the SME business. I think that's a bit tough, right, I mean given that the base has significantly increased now from €70 million to €53 million in just one year. Probably keeping that growth rate is a tough one. But obviously, if I take a look at our solutions portfolio, the acquisitions we made and the full year contribution, I mean they are all firmly playing into enterprise segments. And therefore, I expect clearly the enterprise business to outgrow the rest of the business. But obviously the rest of the business is also growing at very healthy rates.

Mohammed Moawalla:

Great. Thank you.

Stefan Gaiser:

Sure.

Operator:

We will now move to our next question from James Goodman from Barclays. Please go ahead. Your line is open.

James Goodman:

Great. Morning. Thanks very much. Maybe just coming back to the building blocks of the mid-term ambition that you've put out. I mean, it's clearly above the sort of the rate of growth we're talking about out at the IPO and where the market is now. So I just wanted to come specifically on to the point around the smaller acquisitions, I think that you mentioned in the release being part of that. So can you give us a sense of what sort of a deal size would be over and above versus what you're expecting within that ambition for M&A? And then, we've discussed this in the past. But I think it's interesting the debate on investment versus growth. Clearly, you're seeing a huge amount of opportunity to, if not accelerate then keep the growth rate of the business very high. I mean, are you still wedded to a sort of 60% above – and above EBITDA our margin? Is that how we should think about the margin profile for 2023? Are we – are you shifting more in terms of sort of investing for higher rates of growth? Maybe just a final clarification. Stefan, could you just explain what happened with the APAC Q4 situation? I didn't quite catch that. It sounded like there was a bit of a mostly accounting change. Thanks.

Oliver Steil:

Yeah. So maybe mid-term ambition. Clearly, what we see now and the way we see the business is, I think, we have slightly, or not slightly, we have accelerated the broadening of the solution portfolio over the last two years. I think when we were discussing at IPO, we were clearly seeing that we want to move into enterprise, which we did, and that we want to broaden our use case portfolio mostly organically at the time we thought. We've then figured out, I think, during last year that there was opportunity to accelerate this by doing selective M&A. And I think if we look at Ubimax and Xaleon, just within six months we have significantly broadened the solution portfolio for digitalization. And I think that's one of the key drivers going forward that we can keep our growth ambition and grow 30% for longer because we now have much more to offer for enterprises in all industries. And I think that was a very – a good move and we also see very good success early on already in the integration internally, but also in terms of customer interest for these solutions. So having said that I think going forward looking at what's going on in the industry and how much is evolving in terms of new solutions, the way I like to think about it is that there will potentially be smaller tuck-in acquisitions. I would think of a book ends where Xaleon acquisition is probably at the lower end and the Ubimax at the high end. So something in between, complementing our solutions portfolio either coming with the customer the billings or just with a great solution that we can then integrate into ours and use our scale, brand, and sales force globally to sell it. So I do believe part of the mid-term ambition will be contribution from smaller acquisitions, selected number I would say. That also I think fits into the second question, acceleration of growth investment and growth versus profitability. If we think – if we look at the current mix where we are operating at 56% plus margin at – and the 30% growth, that gives us, from our perspective, ample room to organically invest every single year into either marketing or sales or R&D or all of that, to some extent, in order to grow our business.

And if we layer on top of that selected – selective M&A, then I think we are in a very strong position. So now some of the M&A will be, to some extent, a bit dilutive on margins, given our overall billings number and profitability. If we continue to be active in this type of acquisitions we just did, I think the dilutive effect will be quite minimal. And of course, then our ambition has to be that these small acquisitions we do start growing quite significantly, and then reach profitability and high profitability quickly. That's why we believe with the mid-term ambition the margins that you see at the moment are probably the best guidance going forward as well. And APAC?

Stefan Gaiser:

Yeah, APAC I would cover. Hi James. So on APAC, as you know, we want to forcefully address all customer segments, including smaller SMBs. Clearly, since they have no marginal costs when we ship our software, it makes a whole lot of sense to be very generous in terms of overall credit limit. But that being said, we clearly see that some of the customer segments, the less mature customer segments have higher payment defaults. And therefore, I want to make sure that we only recognize those billings and those revenues once – from certain segments once we have received the cash. So that's a little bit of a change here. And that resulted in a one-time growth reduction in the reported growth in APAC. And you can clearly see our bad debt, which was, in 2019, 4.5 percentage points has significantly decreased. It's now only 3.5 percentage point or slightly below 3 percentage point. So that's where we want it to be going forward. That's really a one-time effect in APAC. Underlying growth was significantly stronger.

James Goodman:

Okay. That's perfect. So actually Q1 to Q3 next year, there's no annualization effect? That's done and dusted in Q4 and we're back to sequential numbers in Q4.

Stefan Gaiser:

A little bit. Yeah, a little bit. But the underlying growth which will spell out is not affected by that.

James Goodman:

Okay. Thanks. Cheers.

Stefan Gaiser:

Yeah. Thank you, James.

Operator:

We will now move to our next question from Hannes Leitner from UBS. Please go ahead. Your line is open.

Hannes Leitner:

Yes. Thanks for letting me on. I've also a couple of questions around the enterprise segment. Maybe you can talk a little bit about the sales cycle and also where the budgets come from? Are you displacing anybody or customers expanding those budgets? And then also in terms of implementation cycles since it's much more demanding. So what's the enterprise segment coming at a lower gross margin on your side, given more demanding customers? And then just on the medium-term ambition. Maybe you can give us some scenarios what would make your just grow in line with the market? As you laid out, this should be 28% CAGR above. And what would be basically the perfect storm to go well beyond the 30% CAGR you put out there? Thank you.

Oliver Steil:

Yeah. So enterprise sales cycle depends a bit on use case if it's happening in the – around the IT department, more horizontal or whether it's really industrial use cases that we are in manufacturing and warehousing. Sales cycle is typically I would say three to six months. It could be faster if it's easier, typically not longer really. So three to six months is our – is what we typically see in terms of pipeline.

And then what – which budgets? It's often now in those projects that we're having a combination of budgets that come from the IT/digitalization budgets. So many companies have a Chief Digital Officer that is embarking on these projects. And then, of course, also the operational units so we're talking the logistics, the supply chain organization, the retail organization, manufacturing organization, sales service organizations. It's often a combination of both because in these companies, that's also what makes these projects from a customer perspective sometimes is difficult, it's often a joint venture from infrastructure improvements and there are strategic initiatives, and then of course the operational units. And of course, we're tapping into these operational budgets quite significantly. And that's – from our perspective that's really a good thing.

On implementation side, it really varies. And you're right, some of these projects are significantly more complex. They often start with a proof of concept, with a single installation in a certain location, one warehouse or one part of a production plant or a part of the contact center. So – and then being rolled out from there. If we talk about these more kind of industrial complex use cases, then often the PoC where we need to help the customer with some professional support, for some time, sometimes a few months, not in a huge effort on professional services. So these are not huge integration projects on our side. There's often a lot happening on the customer side. And we contribute to that. But it's not that these are mega integration projects. This then takes a while. The customer wants to see that this is all working. And then the next scale, so when they scale up and connect more locations or more offices or more people that this is then relatively straightforward.

From a gross margin perspective, overall, we believe that it will be pretty neutral. Of course, we have put significant amount of salespeople in place, but that happened early already. So that was a pre-invest one or two years ago. So the picture you're seeing at the moment in terms of margin is effectively a significant sales force, a significant solution delivery pre-sales group that we have already and good billings, but there is significant scaling potential for the people we've brought onboard to further scale. We will, of course, add new people so for some time. This will be the balance. We'll be adding more people but also winning more business. But these effects will compensate each other. And therefore, we see – in the mix, we see very good margins or the same margins in the business, which are coming through.

Stefan Gaiser:

And your last point, the perfect storm in terms of what would it take to outperform the 30% growth? I think one of the key levers might be the speed of the enterprise build-out covered in a better few geographic levers. If you think about the US – I mean, we have a very strong enterprise footprint now in EMEA. The US, we are clearly behind the curve in terms of ticket size and also less strong in all key use cases. So there is significant room to actually accelerate growth in the Americas. I think that could be one area which could actually bring us to a higher growth rate there but obviously too early to really tell.

Oliver Steil:

Yeah. I think if I may from – if I go back to the discussions we had at the IPO, we always said we have a good set of growth initiatives. We have big strategic markets where we haven't been really present in the past and we opened offices there. We moved into enterprise. We now expanded the solution portfolio on the industrial side and on the sales and service side with Xaleon. We also work more and more. We've launched a product for the – for remote management of IT infrastructure. And I think what you see in the numbers is that some of these initiatives were incredibly successful enterprise. Some were okay. Some are still a little bit behind. And I think if I were to describe the perfect storm, then it is – I would say it's the synergistic effect of the offices really humming along because they now have the full solution portfolio. We crack the code in China and India, as we did it in Japan. We have Americas broadening the use cases. As Stefan said, all these things come together. Then I think the 30% is a conservative view.

But we never wanted to lay out our base plan where everything has to work and come together. And therefore, if we are just successful, somewhat successful in some of the initiatives, then we will be able to deliver our numbers quite comfortably. And that was the stance we took or the posture we took at the IPO and that's still true.

Hannes Leitner:

Great. Thank you. Good luck.

Operator:

We will now move to our next question from Ben Castillo from Exane BNP Paribas. Please go ahead. Your line is open.

Ben Castillo-Bernaus:

Hi. Thanks very much for taking the question. I have actually a question on the use of the balance sheet. You're now continuing to reduce your net debt now less than 2 times EBITDA. If you look ahead, how do you view the use of your balance sheet? It seems like priorities are on tuck-in M&A from your comments. Is there anything that would prompt you to change your view there? Are you considering a larger scale transaction or using the balance sheet? Thanks.

Stefan Gaiser:

Well, I think clearly as you pointed out, we've significantly de-levered but in the overall schema of things, I mean we've now around €80 million of cash on the balance sheet. Obviously, we have some potential to raise debt and the likes, right? And the cash we could generate now obviously gives us some room to do more of those tuck-in acquisitions. But it's also good, frankly, to be in a position where you have a strong balance sheet. I think we can still accumulate quite some cash before I would need to think about returning any cash to shareholders. I think there's so much room to grow and use cases, which we can address markets to after either organically or through M&A that I don't see any cash redistribution to shareholders in the mid-term.

Ben Castillo-Bernaus:

No, that's fine. That's helpful. I have one follow-up question, if I may. In your sort of deal highlights slide it shows plenty of larger, above €200,000 deals. You used to disclose your ACV of your largest 50 customers, which I don't believe I can see in the slides today. But can we assume that that number is still growing as before? And looking forward, do you expect that to kind of plateau now that you're more penetrated in larger enterprises? Or should that keep growing as it has been before?

Stefan Gaiser:

Yeah, I think it should grow – slightly grow, yeah. But I think now obviously it consists of a significant amount of 100k to 200k already as you can see by the improved disclosure of the total ACV contribution from deals of north of 100k, right, which are 25% of overall enterprise billings of around €50 million.

I think top 50 deals have been slightly growing same pace as in the previous quarter, yeah, but I think overall, they are already in a good shape. And that's really the sweet spot of deal sizes between 100 up to 300, 400k. So, I think overall what you will see is significantly faster growth in the enterprise business obviously. Top 50 deals, I don't see necessary any step changes here because I think the sweet spot of us is really in that 100 to 200 maybe 300k range.

Ben Castillo-Bernaus:

Makes sense. Thank you.

Operator:

We will now move to our next question from Gianmarco Conti from Deutsche Bank. Please go ahead. Your line is open.

Gianmarco Conti:

Hi, Stefan. Hi, Oliver. Thank you very much for taking my questions. So I also have a few to ask. On the first one, could you perhaps shed some color on the subscriber churn versus dollar churn in Q4 and whether this is accelerating, being stable or decelerating? And secondly, would you perhaps give – shed some color on the enterprise billing split that you're kind of targeting in 2021 as a percentage of billings? And yeah, I'll start with these two questions.

Stefan Gaiser:

Sure. So on subscriber churn, obviously, subscriber churn was always higher than gross value churn, right, reflecting our free-to-pay monetization campaigns and those subscribers have a higher churn tendency than obviously enterprise subscribers.

What happened in Q4 is actually, gross churn, subscriber gross came down by 1 percentage point over the last 12 months. So very good development and pretty much in line with what we thought, because Q4 consists of very longstanding loyal customer base. So that churn was exactly as we saw what it's going to look like, and gross value churn remained pretty stable as well. So subscriber churn slightly down and gross value churn remains stable at around slightly above 10%, yeah, which has been more than offset by up and cross-sell. So overall, very healthy development and in line with our expectations.

Enterprise going forward, right now 12%. If you actually take a look at the enterprise, new ACVs of €17 million to €53 million, €36 million ACV increase in that business. Overall, last year we had an ACV increase of €135 million. So actually as part of the new ACV, it's already between 25% and 30%. And I do think going forward with the tuck-in acquisition, full year consolidation of Ubimax and the likes, I think the mid-term enterprise business will be a third of our billings. That won't happen within a year's time, yeah. I think next year I expect it to be in around the 15% to 20% range. And clearly, north of one-third of new ACVs so to say. That would be our 2021 expected outcome.

Gianmarco Conti:

Thank you. That's actually very helpful. I just have a couple of more to follow up. And the one I have is in regards to last quarter you mentioned about having India and China still having a few problems in terms of converting those subscribers to paying ones. And just – I just wanted to get kind of a sense of how there's customer stickiness in those two regions specifically? And then the second question would just be around, if you could kindly give like a rough estimate, what portions of billings is derived from remote access/remote support use cases versus the IoT Industry 4.0 use cases? I know it's very specific but just like a rough estimate will be quite helpful for me. Thank you.

Oliver Steil:

Yeah, sure. So China, India, customer is actually very sticky there. So there we don't have a churn issue by any means. I think what we – what we're seeing is that these markets – in these markets there's a very high tendency to be free products as long and as much as is possible. And India is, generally speaking, a low-priced market. China not so much. But China, there is lots of, call it, other IP fraud going on. So therefore, we have a large user base in these markets. We have good interest. Our brand is very well-known. But converting into our classical paying licenses is a bit more difficult. Now China is also a new project for us, relatively new project for us. We're making good progress. We have nice Frontline wins. For example, we have nice Tensor wins. We're working well with one of the larger – largest telecom providers as a reseller for our products. So there's a lot of good things happening. But, of course, coming from a low base, and that takes a while to meaningfully contribute to the overall billings number despite the fact that the growth is good. And India, good customer growth, good activities, a sizeable team on the ground now. But given the price levels there, again, it takes some time, although the growth is far above average for the company. So that once we have customers, as paying customers, the renewal rates and the renewal development is broadly in line with other markets. So there's – that's not an issue.

Stefan Gaiser:

And on remote access, part of the business, it's tough to say, because as you know, you can use our platform for a variety of use cases. I mean, we did a market study a couple of years ago, it's a little bit outdated now. And I think that back then, remote access use cases to all sorts of devices were contributing around 40% of use cases. But the way how I think about is actually – and also explaining the stickiness of our solutions is that many customers use our software for many different use cases. I mean, Lely is a case in point, right. They started with remote access, IT support. And now they've branched out to potentially IoT solutions, right, but still using our software for their daily IT operations as well. I think that's what's so exciting about TeamViewer. You get a foot into those accounts, basically with maybe an easy remote access, IoT support solution, but then we can quickly expand into much more complicated and value-add solutions around IoT and AR, and obviously carrying significantly higher ACVs.

Gianmarco Conti:

Right. Great. Thank you very much.

Operator:

We will now move to our next question from Victor Cheng from Bank of America. Please go ahead. Your line is open.

Victor Cheng:

Hi Oliver. Hi Stefan. Thank you for taking my question. Just two from my side. So you've touched upon that just now. But I just want to understand a bit more. Obviously, Net retention rate has stayed consistently above 100%. We're just thinking about churn as a percentage of subscribers, you mentioned Q4 the quarter-on-quarter improvement. But looking at the previous three quarters, it seems like the churn is a bit higher relative to historical numbers. Is that a result stronger competition in the maybe the SoHo end of the market? And then on the – on my second question, just thinking about the 30% CAGR growth that you're talking about. Obviously, you mentioned some of the growth drivers about stronger enterprise growth, about further M&As expected. But are you able to impact that 30% growth a bit more? How much we should be expecting organically? And how much more should be coming from M&As, please? Thank you.

Stefan Gaiser:

Sure. On subscriber churn, first of all, from our perspective actually pretty much development in line with our expectations. In 2019, we did run more free-to-paid campaigns. So I think those typically convert previous private users into commercial subscribers and then typically in their first year of renewal, they have a higher tendency to churn in 2019, especially during the time of the IPO we did run more of those campaigns because obviously we've been on the road quite a bit, yeah, and that may be resulted a little bit of a higher churn in subscriber churn in 2020. But I think much more important was really cross value churn and that remains fairly stable. Now, given that we had less – significantly less free-to-paid campaigns of forced monetization in 2020 that should also actually lead result towards lower subscriber churn going forward, at least given at the same level. But I'll just say that I think important for me is really the gross value churn and that always remained fairly stable at around the 10%.

And then unpacking the growth, the mid-term growth of 30%, I think Oliver explained. The way how we see it is that we continue to pursue smaller tuck-in acquisitions. And tuck-in, we would define as something like Xaleon which maybe has some customers already. Obviously, they have a couple of future customers. Their award biddings contribution is still fairly small. And so that's the low end of the book range so to say. And then high end would probably be Ubimax, where we acquire €10 million to €50 million billings. But that's about it. I think anything which goes beyond that would be a change and resizing the additional billings contribution going forward.

Victor Cheng:

Okay. Thank you. That's clear.

Operator:

And we'll now move to our next question from George Webb from Morgan Stanley. Please go ahead. Your line is open.

George Webb:

Great. Thanks. On the enterprise side of your business, can you remind us what sort of net retention rates you're seeing on that customer base? And then when you think out to new FY23 midterm targets, you have a net retention rate you expect to achieve within that? Or do you expect it to be broadly flat on what you've done historically? Thank you.

Stefan Gaiser:

Yeah, interestingly we have not disclosed the NRR on the enterprise. But what we see there is – and what's really exciting is that we've actually been able to convert a significant amount of customers who maybe spend like 3k to 5k with us in the prior year and then move them up to Tensor solution, which means like 15k, 20k, 25k. And obviously that's like 3 times, 4 times, or 5 times the previous licensed sales. And – but that would not be included in the net retention rate because that will only contribute or include the customers who spend 10k or more both years. And that's net retention rate which is north 120%, yeah, so we are carefully disclosing that number because it's early days for us, yeah, and it's now becoming more meaningful and hence less volatile. So going forward, we might break this out. But it's actually north of 120% so pretty much in line with other enterprise software companies, who obviously also flow in price increases which we haven't done. I think much more exciting is really, George, moving customers from the 3k to 10k range, so customers which we wouldn't consider enterprise customers, then moving them into the enterprise space that, that's really exciting and that was a significant part of the growth in the enterprise billings contribution.

George Webb:

And perhaps if I can just follow up. When you're approaching enterprises today, clearly you've got a much broader product offering than what you've had in the past. Are you leading with a specific product? Or are you tailing it based on the enterprise you're really looking at?

Stefan Gaiser:

It depends on all the scenarios. I mean we have basically sales forces who actually focus on the AR solutions, right, depending on who you talk to that organization. I think that's the beauty of our expanded solutions portfolio. We can go after sophisticated shop floor solutions. All we can start with a Tensor deal provide round connectivity sales so to say in the IT and OT environment and then on top provide Frontline, yeah. So I think a healthy mix. But clearly since we have a strong penetration – well, not strong penetration, but since we have, I'd say, almost good penetration of our product across many customers, quite often we use Tensor basically as an enterprise connectivity platform upon which we then layer additional solutions.

George Webb:

Perfect. Thank you.

Operator:

As there are no further questions, I'd like to hand the call back to our speakers for any additional or closing remarks.

Carsten Keller:

Well, thank you very much all for attending. If there are any follow-up questions, please reach out to the IR team. Management will be on the road as you probably know, tomorrow and the day after. And we hope for good attendance on your side. Thank you very much.

Oliver Steil:

Thank you. Thanks everyone.

Stefan Gaiser:

Thank you very much. Bye-bye.