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Q1 2023 Earnings Call

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Transcript

Speakers:

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Oliver Steil, CEO

Michael Wilkens, CFO

Ursula Querette

Good morning, everyone and welcome to TeamViewer's Q1 2023 earnings call. My name is Ursula Querette, and I'm pleased to host today's call. I am joined by our CEO, Oliver Steil, and our CFO, Michael Wilkens. Oliver will kick off the presentation by updating you on the business and financial highlights of the first quarter of 2023. He will also give some details on the launch of TeamViewer Remote, the major upgrade of our core remote access and support product.

As you have probably seen, we are hosting an investor and analyst event in London on 10th May. Our CCO, Peter Turner, and our CPO, Hendrik Witt, will be onsite to present the strategic relevance of key features of this new product, and discuss our innovation pipeline in general. We are looking forward to welcoming many of you at this event. For those of you who have not yet registered, you can do so until tomorrow, Thursday, end of business.

In the second part of today's call, Michael will guide you through our Q1 financials in detail, and conclude with the key highlights of the quarter. As always, the presentation will be followed by a Q&A session. Please note that as always, you can find the important notice and the APM disclosure on slides two and three. And with that, I will hand it over to our CEO, Oliver Steil.

Oliver Steil

Thank you for the introduction, Ursula. Morning, everyone. Thank you for joining our Q1 2023 earnings call. Let me start with a glance at the first quarter of 2023 on the next slide. So, from our perspective, in Q1, we made good progress in executing our strategic initiatives, and laid the ground to reach our targets for 2023. We invested in existing and new relationships, which is very typical for the first three months of the new year.

And engaging and connecting with customers and partners, and attending events across regions, especially important, as we built our pipeline. Overall, we concluded Q1 with strong financials and good momentum in the business, especially in SMB, and with that, we are well on track to meet our full year guidance. Let me point out a few more highlights. First, revenue growth was clearly double digit and came in at €151 million, which is a plus of 13%, compared to last year's first quarter.

The development is particularly driven by our successful app and cross selling measures, and resulted in a stable net retention rate of 107%. Secondly, I would like to highlight the strong momentum in our SMB business, where we have delivered very good Q1 results, and this was especially important as the Enterprise business started a bit slower into the year. SMB strength was mainly driven by significant improvements to our e-commerce customer experience, as well as targeted cross and upselling measures that we consider one of our strengths, particularly in the SMB space.

In addition, we were able to capitalise on price increases. Another highlight was, again, our strong underlying profitability, supported by an increased top line and diligent cost management. Adjusted EBITDA in the first quarter amounted to €64 million, this is an increase of 18%, compared to the prior year's quarter. And adjusted EBITDA margin improved by two percentage points to 42%.

Let's now look at our regional split. EMEA and APAC delivered consistent results in the first quarter. Our AMERICAS region was, again, affected by longer procurement cycles, and a somewhat challenging macroeconomic environment. To further develop and strengthen the sales organisation in the AMERICAS, we have established a new leadership, Georg Beyschlag, our former Chief of Staff and Strategy is the new AMERICA's President.

And additionally, we opened a new office in Mexico to serve as a sales hub into Latin America. In total, all regions recorded double digit growth rates in revenues in the first quarter. In addition, we continue to invest in our leading position in the core remote business. In Q1, we prepared and initiated the most important product launch of recent years, TeamViewer Remote. Based on the positive user feedback, following a soft launch in the Nordic countries, we introduced the product globally at the end of April, actually last week.

And I will provide some more details about TeamViewer Remote later in the presentation. Last, but not least, we are continuously fostering our partnerships. With the launch of our new partner programme “TeamUP”, we are strengthening the channel ecosystem and support lead generation. The programme will complement TeamViewer’s global sales activities to drive growth across all regions. And seeing a high level of participation and interest at the regional launch events, which we had during Q1, was extremely encouraging.

To sum it up, from our perspective, Q1, particularly strong growth momentum in the SMB business, which we intend to strengthen even further after the launch of TeamViewer Remote. And in parallel, we are working on building our Enterprise pipeline for the remainder of the year. Bottom line, we are very satisfied with our start into 2023, both regarding the strategic initiatives, but also, our key financial figures. Let's move on.

Let's now take a closer look at our SMB and Enterprise LTM billing split. Looking at the chart on the left hand side, you can see our increased growth momentum and SMB with LTM billings in Q1 2023 up 13% on a year-on-year basis to €570 million.

Compared to all quarters in 2022, this is actually the strongest growth rate that we achieved.

And in this context, it's worth mentioning that the lowest bucket with contract values below €500 continued to recover, and LTM billings were nearly stable. As a comparison in the third quarter of the past year, this was down 12%, and in the fourth quarter, it was down 6%. So, we are really getting into stability now. The highest SMB bucket with annual contract values between €1,500 €10,000 showed a 28% increase, and was therefore, again, the main driver of overall LTM SMB billings performance.

When we look at Enterprise on the right, LTM billings in Q1 2023 increased by 25% on a year-on-year basis, and amounted to €131 million. The lower Enterprise buckets saw a healthy performance, supported by good Tensor traction and an enlarged Enterprise customer base. The higher bucket Enterprise business, however, saw a slow start into the year, and this was mainly due to slower frontline business and longer procurement process of some high profile yields, especially in the AMERICAS region. However, we do expect a reacceleration here.

Our Enterprise sales pipeline is growing, because of the intensified engagement with global customers and channel partners since the beginning of the year. And the new leadership that we have set up in the AMERICAS region will contribute to this development. And to reignite the frontline growth, and activate our full potential here, we have put in place a cross functional taskforce. This involves teams and workstreams across product development, go to market, delivery, and operations.

All in all, the numbers on this slide show that our transition into a more Enterprise focused software company is continuing, supported by our strength in cross and upselling, including the upsell from SMB to Enterprise. To illustrate an exemplary TeamViewer customer journey, and show in detail what up and cross selling looks like in practice, we have included the journey of a real customer on this slide.

And this is the example of the German hidden champion in the plastics processing industry, with more than 3,000 employees globally. The company has actually been a customer since 2009, and started with one TeamViewer core premium licence, very typical. In the following years, the contract was continuously renewed, but the volume remained relatively stable. And then in 2020, the customer started adding additional product features. After successful talks with our sales team, we were then able to convince them to upgrade to our Tensor product earlier this year.

And the Tensor product better reflects the global needs of our customer, to remotely support and manage devices in the production and office environment. And as a result, we doubled the contract volume from 2022 to 2023, and achieved a CAGR of 20% over the entire contract term. In addition, the company then transitioned from SMB to an Enterprise customer. And of course, this is just one example of many, but our consistent strong results of upselling customers from SMB to Enterprise show how successful our sales team is in that regard.

The next slide, please. As always, let me continue with two more examples of our customers from our Enterprise segment. On the left, you find one of our customers from the APAC region. It's the global luxury cosmetics brand, Aesop from Australia. Their IT team uses TeamViewer Tensor to remote into instore IT devices at the point of sale for fast troubleshooting and fixing of IT problems. And for Aesop, Tensor is an important tool to keep their store operations running smoothly for their own customers.

And furthermore, when we talk about Tensor and the Enterprise sector, security is always a major requirement, and the very strong sales propositions for, basically, all our customers in that segment. The same was true for Aesop. Besides ease of use, the integration into their IT landscape security was the main reason for them to opt for TeamViewer Tensor.

On the right side, a customer from the Enterprise segment, using Frontline. Samsung SDS is part of Samsung Group, and focuses on logistics, and they use our augmented reality based workflow solution TeamViewer Frontline, to digitally transform the picking operations in their warehouse in the Netherlands. From this warehouse, they supply all of Europe with spare parts for Samsung products. The benefits are clearly, the hands free picking process, which led to an increase in picking efficiency of 30%.

The warehouse workers are satisfied with the solution, as they are working with smart glasses and our software, because ergonomics have improved and they hardly make any errors. And besides the impressive improvement, this customer is particularly interesting for us, from a business perspective. Samsung SDS operates many warehouses worldwide. So, this project obviously has potential to scale. Let's now turn to our regional performance.

On this slide, you can see how previous billings translated into Q1 revenues per region. All our three regions saw double digit revenue growth, 10% in EMEA, 18% in the AMERICAS, and 12% in APAC. This development is the result of successful and up and cross selling measures, targeted monetisation campaigns, and an increasing number of multiyear deals in previous periods. Past currency tailwinds, mainly from the US, supported the positive development.

On the next slide, let's see how buildings developed, which will drive future revenue development. Overall billings increased by 8% in Q1 2023. And as you can see, APAC performed particularly well in the first three months of the year, with a billings increase of 14% to €90 million, the region continued its successful turnaround.

Our business in EMEA achieved solid billings growth of 8% in Q1 to €101 million, making a pretty good start into the new year. The region particularly benefited from successful up and cross selling campaigns, as well as price increase motions. And with a billings increase, a billings growth of 6% to €56 million, the business in the AMERICAS continue to be marked by longer procurement cycles, especially in the Enterprise business, and the challenging overall macroeconomic environment.

Further development strengthened the regional sales organisation. To leverage its potential. we've taken measures, in the first quarter, to reaccelerate the local business. I've already mentioned the leadership change and the Latin American office opening. Next slide, please.

An important milestone in Q1 was the successful soft launch of TeamViewer Remote in the Nordics. The product is a major upgrade of our core remote access and support solution. Based on the promising user feedback and good adoption rate, we rolled it out globally with a commercial launch last week. TeamViewer remote clearly highlights our commitment to quality, and our ambition to deliver best in class remote connectivity for customers.

A key highlight of the product, a new intuitive modern user interface, a unified web and desktop experience, with a full featured web client and simplified connection with one click session invites. And moreover, we’ve enhanced security through mandatory account creation for those delivering support, and by making the origin of incoming connections more transparent.

With the new web first approach with advanced API's, we will accelerate our innovation capabilities, and pave the way for the integration of the entire product portfolio and additional third party applications on the same technical architecture. TeamViewer Remote is set up to increase attractiveness within the main target audience, and thus, create momentum in the free user ecosystem, as well as in the SMB space.

This will increase the cross and upsell potential, in order to accelerate growth in the SMB business. As mentioned by Ursula at the beginning, we will host an investor and analyst event in London on 10th May. There, you will get a detailed briefing about the new product and its relevance for our business. And with that, I'd like to hand over to Michael for the financial highlights.

Michael Wilkens

Thank you, Oliver. Good morning and a warm welcome to all of you. I'm happy to guide you through our financials for the first quarter of 2023. Next slide, please. Oliver has already mentioned our 13% revenue increase. A large portion of the Q1 revenue number of €151 million stems from previous billing periods, which are released into revenue monthly, along the duration of the contract. Our new metric ARR, which is an LTM figure, and annualises the billings value of active contracts increased by 12% year-over-year.

Oliver also mentioned the 8% Q1 billings increase, driven by a strong SMB performance, and looked at billings from the regional perspective. I will go into the constituents of the €177 million on the next slides. Our LTM net retention rate remains strong at 107% on a Group level, and is up eight percentage points year-over-year. NRR is clearly an indicator for customer loyalty and resilience of our business.

We have a large customer base, which holds a significant untapped upsell and cross sell potential. And with our TeamViewer Remote, we now have a very attractive product to drive up and cross sell within the SMB space. At the same time, our Tensor product as a key growth driver in the Enterprise business. In Q1, TeamViewer grew very profitably. The adjusted EBITDA increased by 18%, translating into an adjusted EBITDA margin of 42%, which is up two percentage points year-over-year.

As you know, TeamViewer is highly cash generative. In Q1, our levered free cash flow grew significantly by 135%, which resulted in €51 million. The adjusted EPS grew by 38% to €0.22 cents year-over-year. To sum it up, our two guidance metrics, revenue and adjusted EBITDA margin, are well in line with our guidance. And due to the predictable nature of revenue and the cost management we put in place, we are well on track to meet our 2023 outlook.

With that, let's have a closer look on quarterly sequential developments globally, and for SMB and Enterprise. We have already explained our revenue and our margin growth. You can see quarter-over-quarter developments at the top of slide 14. Let me now spend a bit more time on billings, while looking at the lower end of the slide. In addition to the growth rates on reported billings, we plotted constant currency growth rates into the graph.

You might remember that we provided a translation into billings with our full year guidance, where we outlined an expected growth rate of 6% to 11% for 2023. This was based, amongst others, on the assumption of continued macroeconomic challenges, and eliminating currency effects. So, comparing constant currency growth rates, Q1 billings grew at the same rates in 2023 as in 2022. By the way, we also told you, in our full year outlook, that the billings forecast was based on an average euro to dollar exchange rate of 105.

So, if we had applied this exchange rate, instead of the actual average FX rate of 107 to our Q1 billings, they would have been higher at €179.1 million. Coming back to the reported Q1 billings. They were generated on the back of an increased subscriber base of 631,000 customers as of quarter end. It's also worth highlighting that they include a new business volume of €14.7 million that is starting to stabilise again on a quarter-over-quarter comparison.

So, let's move to the next slide. please, where I will focus on our SMB business, which clearly drove our global billings development in Q1. Slide 15 very well depicts the growing momentum in SMB over the last quarters. This is the result of the progress we made in enhancing the e-commerce customer experience. Kudos to Peter Turner and his team.

Examples for specific measures are our new approach for smarter in product advertising, improved marketing efficiency of our digital advertising, and last, but not least, continued optimisations to the website and customer journey, including specific pages to help customers to find what they want, when they want, and as quickly as possible. Translated into KPIs, we achieved 11% SMB revenue and billings growth in Q1 at a stable subscriber churn rate of 14%.

With our price adjustment motion, which started in Q4, our average selling price continues to increase on an LTM basis. We were also able to add more subscribers to our SMB customer base. Hence, at the end of Q1 2023, we counted 627,000 paying SMB customers. Since our global team was remote launched last week, these 627,000 customers are now able to enjoy our next generation remote access and support solution.

Next slide please. Looking at revenue, Enterprise contributed with a 21% plus to our total revenue growth in 2001. On billings, Oliver mentioned before that the lower Enterprise bucket saw a healthy performance, with our Tensor product being highly accepted by our customer base. This is underpinned by the strong 31% increase of the Enterprise customer base from 2,900 to 3,800 year-over-year.

At the same time, we saw a slow start in our higher bucket Enterprise business, and especially in the sales success of our Frontline product. As Oliver has already explained, the main reasons are longer procurement processes in the current macroenvironment, especially in the AMERICAS region. But Oliver also mentioned the taskforce we put in place to reignite the Frontline business.

The effect of the Q1 Enterprise billings development can also be seen in the decline of the average selling price in the upper right chart. Against this background, after a very strong Q4, total Q1 Enterprise billings decreased by 3% on a reported and on 4% on a constant currency basis. The Enterprise NRR was lower year-over-year at 109%. However, we see this development is temporary, and please be reminded that we initiated various counteracting measures in the quarter, as Oliver has already laid out.

Next slide, please, where I will talk about the cost development in Q1. Recurring costs consisting of cost of sales and total OpEx increased by 9%, and therefore, grew slower than revenue. Hence, the adjusted EBITDA margin increased by two percentage points to a strong 42% in Q1 2023. The absolute cost increase of €7 million was mainly employee related, but let's have a look at some operating cost items in a little bit more detail.

Besides an increased FTE cost base and higher bonus levels, sales cost also increased, due to lower benefits from sales bonus activation. I have already mentioned, in our last call, that we started to apply IFRS 15 bonus accounting in Q3 2021, the positive effects of which are gradually fading out until 2025. Like in Q1 2022, into the largest portion of the marketing costs was made up of sponsorships.

This cost item will be reduced, once Manchester United exercises the option to buy back the rights to the club's shirt front sponsorship. As of today, we have nothing new to report on this. The R&D costs increased, as expected, with investments into the future product offering. In the other item, we saw a major cost improvement in a year-over-year comparison. Q1 2023 profited from significantly lower bad debt, due to improved dining processes and better payment behaviour, which comes with an increasing Enterprise customer base.

On top of that, we recognised, again, from our US dollar hedges. One last remark, before I move to the next page. This favourable cost situation in Q1 was also due to some timing effects, meaning that, for example, marketing expenses and cost of sales will partially catch up in the next quarters. Having said that, we are very confident in reaching our profitability guidance for the year.

The table on slide 18 dives deeper into our different profitability metrics, starting with the adjusted EBITDA. As already mentioned, this increased by 18% year-over-year, due to our strong operating performance. Deducting a decreased amount of nonrecurring items, fuelled the unadjusted EBITDA, which is 31% higher year-over-year. The decrease in non-recurring items was mainly due to the fact that ReMax still had an impact last year in Q1 2022, but was completed thereafter.

With only slightly increased D&A expenses, and improved financial result, and taxes increased in line with profit before tax, our net income grew by 58% year-over-year to €23.1 million. Our earnings per share increased even stronger by 75% from €0.07 cents to €0.13 cents, which also reflects the accretive effects of our share buybacks. I have already mentioned the adjusted EPS increase of 38%.

This KPI, which we introduced in Q4 already, gives you a less volatile and more operational perspective on EPS growth. Compared to the unadjusted EPS, it mainly adjusts for the same non-recurring items as in the adjusted EBITDA, and takes into account PPA amortisation and related tax effects. Both EPS metrics benefit from an accretive share buyback programme. Next slide, please.

This slide is a testament of our highly cash generative business. It shows different cash flows and related cash conversion KPIs. Pre-tax operating cash flow increased by 69% year-over-year, due to our good business performance and positive net working capital effects. Deducting CapEx, which is, generally, relatively low, as most of TeamViewer's investments in innovation and partnerships are directly expensed in the operating expenses.

Then, deducting the stable amount of lease payments brings us to the pre-tax unlevered free cash flow, which increased by 75% year-over-year. Putting this in relation to the adjusted EBITDA leads to a cash conversion of 100% for Q1 in 2023, 32 percentage points higher year-over-year. The levered free cash flow you'll see on this slide also takes into account cash tax and interest paid.

It increased even stronger by 135 in Q1. The respective cash conversion rate was 80%, and therefore, 40 percentage points higher than the year before. For your information, cash tax decreased due to a tax refund we received in Q1 2023, and interests paid grew only slightly, based on our focused debt management.

This nicely feeds into the next slide, where you can see that we also paid back €100 million of debt. And despite the cash spent on our share buybacks, we still have a very comfortable cash position of €79 million at the end of Q1 2023. Netting this cash position and total financial liabilities delivered a further net debt improvement to €452 million as of 31st March.

With the resulting leverage ratio of 1.5 times, we are fully in line with our capital allocation target, which, by the way, is still calculated on the adjusted billings EBITDA metric. This leveraged target provides the company with sufficient flexibility to support organic growth. It would also leave us the option to pursue tuck-in M&A, in case we saw the need to expand our technical solution competencies.

With the reiteration of our leverage target in February, we also announced a new share buyback programme. This programme has a volume of up to €150 million. The first tranche of up to €75 million is ongoing. As of end of March, we had acquired a total of 1.7 million shares, corresponding to an aggregated amount of around €26 million.

Together with previously acquired shares, we held around 11 million shares as treasury shares, which do not count into the EPS calculation. At our AGM on 24th May, we proposed a renewal of our buyback authorisation. On the basis of this new authorisation, we can start the second tranche later in the second half of this year. With our Q1 performance, we had a good start into 2023.

The revenue growth of 13% was clearly in line with expectations, even despite continued headwinds in the AMERICAS region. And therefore, we confirm our annual revenue guidance, expecting double digit revenue growth within a range of 10% to 14% for 2023. This translates into IFRS revenues in the range of between €620 million and €645 million.

The Q1 2023 adjusted EBITDA margin at 42% was two percentage points stronger year-over-year. While we expect some catch-up effects in our cost development, we are also confident in reaching our adjusted EBITDA margin target of around 40% for 2023. Next slide, please, where I will summarise today's earnings call.

First, in the first quarter of the year, we made good progress in strengthening our core SMB business. This was paralleled by the global launch of TeamViewer Remote. Second, our transition towards a more Enterprise focused software company continues, with Tensor as the key product offering. To re-accelerate Enterprise billings, we have identified and put in place the right measures.

Third, our global salesforce is strong in up and cross selling, and our large customer base holds a significant potential, while fourth, in Q1, we were also able to stabilise our new business on a sequential quarterly basis. Fifth, with diligent cost management in place, we achieved an adjusted EBITDA margin of 42% in the quarter. And last, with our high cash generation we are constantly creating value for our shareholders. And our share buyback programme has an additional accretive effect on EPS.

With that, I would like to end the presentation. Thank you all very much for your attention, and we now look forward to your questions.

Operator: Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one, on your telephone keypad. If you wish to remove yourself from the question queue, you may press star, then two. Anyone who has a question may press star, followed by one, at this time. One moment for the first question, please.

The first question is from the line of George Webb with Barclays. Please go ahead. Excuse me, the first question is from the line of James Goodman with Barclays.

James Goodman: I thought I'd been replaced. Morning. Thanks very much for my questions. Firstly, maybe just digging into the Enterprise softness that you spoke quite a bit about on the call. You talked a lot about the AMERICAS, and clearly, the growth rate is still lagging there. But if I look at the growth rate versus Q4,actually, EMEA was much stronger in Q4.

So, was the deal lengthening there across all regions? And can you talk a bit about those slip deals, whether they've been closed post period end, or whether there was a competitive dynamic there? And then also, conversely, the second question around the strength on the SMB side of the business. I wondered if you could put that a bit in the context of the COVID effects that we're now lapping three years later.

Are we seeing now really the end of that period of tough comps? And do you think the attrition in the low end is behind us, given the stabilisation and growth we're seeing in the SMB subscriber numbers? So, really, what I'm getting at with SMB is should we expect growth acceleration, as we move through Q2 and Q3, given the smaller base effect and the fact that the new business intake should have a bigger effect? Thank you.

Michael Wilkens: Let me start with the latter one, SMB. We clearly see an improvement in SMB, based on multiple levers. First, our improved website helps a lot, pricing, as we mentioned, is another driver. Also, and we do it very cautiously, and not as disruptive as in earlier years, we do our free to paid campaign. So, these were all levers. And we also see a slowly, but steadily improving base, as you said, in the cohorts of COVID, which is nice.

And Oliver laid it out, minus 12, Q3, minus six, Q4, minus 1% on an LTM basis on the lowest bucket shows that it is clearly a stabilising trend. This is too early for us to talk about, an acceleration in the outer quarters. We feel very comfortable with a midsized percentage growth, as we move forward. But we obviously continue to invest into our core, and we are very happy on that one.

Oliver Steil

Maybe to add on this one, I think what you also see, if you just look at our website, the communication, the campaigns we're doing, clearly, also, we have Peter now onboard for nine months or so, and we have really also changed a bit of the leadership structure underneath him, with focus on SMB marketing, SMB lead gen, and also, offerings campaigning.

So, more and more, this is coming through that we've gained, or regained, some strength in this segment as well, where I think, more recently, before, we had focused a lot on Enterprise, as we have discussed multiple times, and maybe SMB, we were a little bit too passive, in a way. And this has now really, really changed, and this is starting to come through.

So, again, as Michael said, too early to change any outlooks there, but we feel good about what's happening. And obviously, the effect, potential effect of TeamViewer Remote is only coming. So, now we feel very good about the new product. We get very good feedback. So, all in all, that makes us very positive regarding the SMB segment.

And you're right, there is the effect that now we are in the third anniversary after COVID, and the base effect, obviously, is important. So, we do see this movement coming to an end. And we are adding, as you can also see, we're adding subscribers now, which hasn't been the case for a while, which is also a good early indicator.

Michael Wilkens

And then let me tackle your first question on Enterprise. First of all, again, strength in the Enterprise revenues with a nice growth of 21% year-over-year in the quarter, this is strong. And what is also very strong is the free lower buckets of our Enterprise cluster, which is fuelled by the very strong Tensor product. We see that as nicely developing, as well as our SMB to Enterprise cross and upsell. So, this is all very strong.

And yes, indeed, in the highest bucket, it's a mix of Frontline, it's a mix of slowness, continued slowness. Also, as Oliver mentioned, it's also a mix of some slip deals. And it's a big portion of the AMERICAS, but you're absolutely right, it's not just the AMERICAS. It’s also in EMEA. And here, it's important to note that Q4 was very, very strong, with, from the top of my head, 54% growth here, in Q4.

And the interesting part in Q4 in EMEA was where we had deals with a very low probability of only 20%, 30%, and 40%. In the last month, they all came in as a deal. And where we had the same part now in Q1, with lower probability of those deals from

	the pipeline, we saw that they slipped and they did not come in in Q1.
	So, we had a little bit of a learning in Q4, and obviously, it didn't work out now in Q1. This is this something for us, which is important, and this is why we also mention that we are now working on the measures, that we also work, especially on the slip deals, and we are building the pipe, so that we come back even stronger in the remaining quarters of the year.
James Goodman	Excellent. Thank you.
Operator	The next question is from line of George Webb with Morgan Stanley. Please go ahead.
George Webb	Morning, Oliver and Michael, just a couple from my side. Firstly, just to focus in on that higher end of the Enterprise business, or Frontline. Clearly, there's a very significant AR market opportunity there, but t requires a slightly different go to market, different opportunity set. It doesn't seem to have been growing quite as strongly or consistently as it may have been hoped for, when you acquired Ubimax initially.
	So, I'm wondering, when you reflect back, why perhaps that is. And in the context of being very diligent on costs at the Group level over the recent past, can you talk a little bit about how much investment you've been putting into that AR business over the last couple of years, from an organic perspective? And then secondly, just on the RSU charges, which started in Q1. Is that 3.8 million charge a fair run rate moving forward? So, any frontloading in there? Thank you.
Oliver Steil	I can take this. So, the Frontline, business in general, clearly, this requires companies to invest into digitalisation and workflow processes. I think we had very good deals in certain periods, where we added customers with significant rollout potential, for example, the automotive industry in service networks, and we reported on those.
	So, we had periods where we had very good wins. It's correct that over the last quarters, especially in the AMERICAS, there is a slowdown. APAC, as a region, is still in pipeline creation mode on the Frontline side, and I think in EMEA, we have good deals here and there, and we reported some of them. So, I think it's a very mixed bag, which we're seeing here. We are going to put, and we have put in place, a taskforce on Frontline.
	I think it's mostly on some product evolutions that we should see and should have, and should have accelerated. That's one area we will work on. But a lot, quite honestly, is go to market, marketing, content marketing, and then also, the right sales approach and the right sales training. I think we probably focused a little bit too much on IT, Tensor and the like in the past,

and we need to make sure that our sales activities mirror the big potential that we are seeing in Frontline.

It's a very diverse picture, country by country, and I think we have great solutions. For example, in the logistics space and in the inspection, field service space, we just need to leverage that more. What's also not helping is clearly, that many of the pipeline opportunities we're seeing are together with SAP, for example, and this is all slow in deal conversion.

So, there's a good deal pipeline, large ticket sizes, but this all takes longer than we had originally hoped for. Then relating that to the cost development, I think it's fair to say that in the AR business, after acquisition of the different entities, cost development on the AR Frontline side is relatively stable. So, it's not that we have massively invested there.

But it's like a continued build-up of resources for solution delivery in some regions, but that is pretty much it. I think if anything, you could argue that maybe we should have been a bit more active in marketing these solutions on specialised events, which was difficult during COVID. And then in the aftermath, we should have accelerated that a bit further. But it's not a significant burden on the cost side, we're just missing the deal conversion.

Michael Wilkens: And on RSU, we had close to four million in Q1, and we expect, for the full year, 60 million, roughly.

George Webb: That's helpful. And maybe just one follow-up, Oliver, on the starting point of Frontline on AR piece. When you look across the business now, can you give any flavour of how many FTEs you have, which are solely focused, or predominately focused on that AR business?

Oliver Steil: Yes. So, really, solely focused on the Frontline business, is some of the development of R&D. I wouldn't be able to give you the exact number, because we're using more and more, also, across the whole company. Because, for example, the web functionalities, the web capabilities we were using now also partly for TeamViewer Remote.

Because really, if you look at the different tech stacks of the different products, clearly, Frontline was always, and also, Skylight that we bought from Upskill, very much web first, API first, whereas the TeamViewer product is more client based. So, there are quite some technical functionalities and features where we can use R&D people from Frontline, also for the rest of the product. And therefore, the 100% dedicated developers in this field is hard to call out.

And then clearly, the people that we can fully allocate to Frontline are the salespeople. And this is one sales team, I don't know exactly the number, but about ten people or so for EMEA, and another one for the AMERICAS. But we really integrated the organisation in such a way on the R&D side that we are sharing resources there.

George Webb — Thank you.

Operator — The next question is from the line of Toby Ogg with JP Morgan. Please go ahead.

Toby Ogg — Good morning, and thanks for taking the questions. Perhaps just again, on the Enterprise side, I appreciate there were a few different dynamics contributing there in Q1. But when thinking about building the confidence in the acceleration going forward, you've talked about pipeline growing, new leadership, and the cross functional task group.

Could you just give us a sense for any buffers that you've built in there around the closure rates, just to help give us a sense for any headroom, in the event that deal closures continue to remain difficult, given the macro? And then maybe just one on the billings guidance. So, I think you'd given us this at the Q4 with the 6% to 11% growth, so I just wanted to double check whether that was still confirmed.

And then lastly, just on the pricing side, I know this has started to feed in more meaningfully in Q4, and you'd said high single digit million contribution back then. What was the magnitude of that in Q1? And have you noticed any changes in customer behaviour, as a result of those price increases so far? Thank you.

Michael Wilkens — Let me start with the last one, pricing. It's all based on what we expected. So, we see, especially in Q1 this year, where we were also a little bit nervous, because it's a different cohort, whether we might be faced with higher additional churn, because of our pricing measures. We see that this is not happening, so we are also very confident with the further outlook of our pricing measures going forward. This is number one.

Number two, on your question with regard to the billings and the guidance, this is very important. We gave, and give, a guidance on revenue, revenue margin, and EBITDA margin. We only delivered, for your comfort, mirrored, how it would have looked, if we would have guided on billings. And this is exactly the number of 675 to 705, and the 6% to 11%.

And we also feel very happy with the mirror guidance, but this is not a guidance, this is for your convenience, to see how it would have looked in, let's call it, in the old world. But there is no change on this, and we are very positive also on billings.

Oliver Steil — The first question on Enterprise and headroom. I think this is a region by region thing that we need to look at. First of all, the pipeline is very significant towards the later quarters of the year, and it's very natural, because many of these larger items, they are also together with partners, different partners, and also, our own Enterprise salespeople, and they tend to be more scheduled towards Q3, and then Q4 closing, and partly in Q2.

So, this is the underlying dynamic in any case. I think if we take a sober look, then, clearly, the AMERICAS is affected by macro. I think we were working on building pipeline and converting pipeline already for two, three quarters, and I think that weakness has been visible throughout the period. So, even when you typically have a strong Q4 end, we were not able to pull the bigger deals in as we wanted to.

And in Q1, naturally, this is even worse, from a starting point of the year in the AMERICAS. And the pipeline is there. We are very active with customers and partners on conferences or SAP Sapphire conference to come, and so forth. So, I think, on that one, we need to be a bit better to get on track there. So, it doesn't take much to get to the growth that we wanted, but it will need work in the region, clearly. It's very different in EMEA. I think, as Michael mentioned, we had a very good run in Q4.

We converted many deals. Quite honestly, I think, in the first quarter, we probably could have been a bit more growth focused in Enterprise. There were deals we could have converted a bit more, and we now need to work on the slip deals and pull them in as soon as possible. That, I would allocate more to internal planning, execution, and sense of urgency, than to macro, clearly.

And then APAC, there, we're building a great pipeline with partners. We focused on a few key markets, Korea, Japan, India, Australia, and that looks very promising. But it's early days, because the Enterprise development in APAC is anyway earlier in its development. But there, we have a very good pipeline built, with a significant headroom, in terms of a cushion , what you call it, to be able to make the numbers.

Toby Ogg: Brilliant. Thank you.

Operator: The next question from the line of Gianmarco Conti with Deutsche Bank. Please go ahead.

Gianmarco Conti: Thank you for my questions. Great to see some new wins increasing on a sequential basis this quarter. My first question is whether the free pay campaign activation was the main driver of this. How many of those new billings came from this versus Enterprise, if any, at all? And could you also give some colour on whether you expect to keep up the free to paid campaign active throughout the year, on a similar run rate to how it was in Q1? I'll ask a couple of follow-ups after. Thank you,.

Oliver Steil	So, on the free to paid, that shouldn't come across in the wrong way. We did some normal, I would say, regular free to paid activities, like we always did. No big campaigns, no extra contribution. I think in the first quarter, it was around four million or so. So, less than in the past, significantly less than in the past, in certain quarters, just a regular inflow and a better conversion on those, because we have the better customer journey, and the better campaigning and offer presentation, if you will.
	So, I wouldn't put a significant contribution to that as a driver of the SMB growth. Much more important is the continued up and cross sell in SMB, as we saw, and also, just generally improving our go to market, our e-commerce, and also our lead flow from web to inside sales. That's the key driver of this one.
	And the free to paid monetisation, going forward in the quarters, we can assume there will always be a contribution in that order of magnitude, and nothing else.
Gianmarco Conti	Understood. Just a follow-up on this one, and a couple of others. Four million this quarter. If I'm not mistaken, I think previously, it was something like 20 million a year, 20 to 25 million a year. So, it feels like it's awfully close to the contribution that it was previously. So, maybe just a clarification there.
	And then the second question would be I hear you're opening a new hub in Mexico to help expand sales in LatAm. Will you be ramping up salesforce there? And should we expect an increase in fixed employee costs on that front?
Oliver Steil	No. So, first of all, it's for a quarter, typically, the later part of the year is more Enterprise driven, and the contribution is then mostly tapering off towards the end of the year. So, in the past, we were 20, 25, but by now, we are significantly lower, and you see a quarter contribution or four. I think, if you take an assumption for the year, it will not be four times four, I guess. So, therefore, some significantly lower than in the past, but that's still a meaningful contribution, obviously.
	As for your second question, the sales hub. Yes, we are putting inside sales into this office in Guadalajara. That's the overall idea, partly in addition, and partly as a substitute for salespeople that we have in Clearwater, just to cover different languages in a more cost efficient way. So, it's actually the opposite of what you said, it's also meant to optimise our cost structure in the AMERICAS.
	So, if we put people there, that's not as an extra invest, but like-for-like, should make our salesforce more efficient, so to speak, in the region.
Gianmarco Conti	Understood. Thank you.

Michael Wilkens	Quick correction, because you assumed 20 last year, it was way lower, because we didn't do anything in Q1, almost nothing in Q2. So, in total, generally, it was roughly 12, a little bit below even.
Oliver Steil	And it was 20, 25 in previous years.
Michael Wilkens	Yes, it was, before 2022. So, way, lower, way more cautious. Of course, it's a customer intake drive to further develop them.
Operator	Your next question is from the line of Gustav Froberg with Berenberg. Please go ahead.
Gustav Froberg	Hi. Thank you for taking mine, also. I just have a quick follow-up, please. Just on price increases, you talked about them a little bit, but I might have missed the contribution to growth in the quarter. Could you just please remind me how much price increases drove your growth rates in Q1?
Michael Wilkens	Yes. Roughly six million, 6.5 million, I think, exactly.
Gustav Froberg	Super. Thank you.
Operator	The next question is from the line of Victor Cheng with Bank of America Securities. Please go ahead.
Victor Cheng	Morning. Thanks for taking my questions. Can you give us some colour on what's different with the new partner programme “TeamUP” and is it more focused on SMB or Enterprise? And then secondly, on multiyear deals, it appears lower, quarter-on-quarter. How much of that is driven from the demand side, and what's the mix in multiyear deals for Enterprise and SMB this quarter? Thank you.
Oliver Steil	Let me take the first one on the pilot programme “TeamUP”. Really, it's both. Call it higher end SMB, and it's Enterprise. So, it's everything which is direct touch customer. It’s also covering distributors that, in principle, do very small ticket items, but what we're really looking at is activating and work with resellers more, and also, small system integrators, local system integrators, all the way up to larger integrators. So, all the partnerships, which sit outside of, say, SAP, Siemens, Google, Microsoft, and the like. Classic channel programme, with a proper partner for the dealer registration, proper incentive system, back end rebates, policies on renewal, upsell, cross sell, and the like. The way to think about it is that we now have a structured programme, which is consistent, homogeneous across regions, very transparent, clearly communicated. with clear rules of engagement. The whole channel business, reseller business of TeamViewer before was in different shapes across different regions. And we didn't have this broad activation of partners, and this is now a

step change in how we approach this, and it has been very well received. We did three regional launches. Actually, I participated in all three of them, and the feedback of the partners was incredibly positive.

Because they see TeamViewer, clearly, as products they can work with and like to work with, but they were always missing a structured channel, slash, reseller programme, like other companies have. And I think it's a major step forward now that we have clear structures, incentives, and also, the technical means to work in a much different way.

Michael Wilkens — And on multiyear deals, Victor, as we said, they have become a normal course of business for us. And we always said that that it's a mix, it's more Enterprise and a little bit of SMB this quarter, so a little bit more skewed towards SMB. But all in all, we don’t see a massive downturn on multiyear deals.

Victor Cheng — Got it, thank you. And maybe one follow-up. Do you see a change in competitive dynamics or win rate in Enterprise, and I guess, in particular, the Frontline business?

Oliver Steil — Not really, honestly, not really. I think we always see the same competitors. I think if we go first to the IT side, I’ll come to Frontline, so if we go to the IT Tensor side, there's no real change there. And I think really, the only competitors we run into is BeyondTrust and LogMeIn, but most of the time, we feel very good about our win rate there. So, we don't see any issue there.

Frontline, it's kind of the same. The point about Frontline is it's not that it's terribly competitive. There are only very few players that make the market, we are one of them with those solutions. And clearly, there is, overall, I think there was a bit of noise in the market. Google and Microsoft pulling out some of their developments, actually releasing some of the development people in this field.

So, certainly, that has created a bit more uncertainty in the market, and therefore, if there is no deal, then it's not because we lost it, but it's more because customers are still waiting. So, I think, in general, it is it difficult on Frontline, but it's not because of a competitive situation. We have a great product. I think when we go to events, Hannover fair was just the other week, a week ago, very good attendance on the booth, very good discussions. People liked what they saw. But it's just not the perfect time at the moment to land those deals.

Michael Wilkens — And maybe a couple of add-ons, with regard to competition. Actually, we think it's the other way around. With regard to our remote launch, we think, especially vis-à-vis Splashtop and AnyDesk, we are building on our lead vis-à-vis the two of them. This is, for us, super important. This needs time, in order to see

	that our lead versus competition is also then paying off. But all in all, we think we are strengthening, rather, our positioning.
Victor Cheng	Got it. Thank you.
Operator	Ladies and gentlemen, there are no further questions. And with this, we conclude today's conference. Thank you very much for joining, and have a pleasant day. You may now disconnect.