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Q4 & FY24 Earnings Call

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Transcript

Speakers:

Bisera Grubesic

Oliver Steil

Mark Banfield

Michael Wilkens

Bisera Grubesic

Good morning, Ladies and Gentlemen, and welcome to TeamViewer's Q4 and Full-Year 24 Earnings Call. I am Bisera Grubesic, Head of IR, and I am joined today by our CEO, Oliver, CCO, Mark and CFO, Michael. Today, we will cover several topics, so the presentation part may take a bit longer than usual. But first, of course, we will present our Q4 and full-year 24 results.

Oliver will discuss our quarterly business highlights. Mark will explain 1E's performance, and Michael will present TeamViewer's Q4 and full-year financials, followed by our full-year 25 pro forma guidance. In the second part, Oliver will present our updated strategic plan and our mid-term targets, and then we will conclude with a Q&A session. Next slide.

Please note that you can find the important notice and the APM disclosure on slides 2 and 3. And with this, I hand it over to Oliver to kick off our presentation.

Oliver Steil

Thank you, Bisera. Good morning, everyone. Also, very warm welcome from my side. Thank you for joining our call today. Let us kick off with the highlights of the last quarter, as usual. 2024 marked another strong year for TeamViewer. Similar, like in last quarters of previous years, we ended the year with several high-value deals, underlining that our sales cycle has become more backend loaded.

This reflects the increased share of Enterprise business that we have achieved over the years and our continued strength and momentum in this space. Our full-year 2024 revenue increased by a very good 9% year over year, and all regions saw good revenue growth in both Q4 and the full year. In Enterprise, we achieved a very strong revenue growth of 38% year over year in Q4, which was well above our internal expectations.

Main reasons were large Enterprise and Frontline deals in the last weeks of the fourth quarter. ARR, which normalises these effects, grew by a healthy 7% year over year, and it confirms our continued sustainable growth trend. Our profitability improved significantly in 2024. Over the full year, adjusted EBITDA was up 14%, and our margin reached a very strong 44%, fully in line with our guidance.

This was supported by scaling back our Manchester United partnership and overall maintaining cost discipline throughout the year. And we delivered adjusted EPS growth of 20% year over year. In addition, our strong cash conversion has led to a very strong, levered free cash flow of around €215 million in 2024, which is an increase of 8% over an already very good prior year.

Let me also give an update about our acquisition of 1E. I'm very pleased that the deal closed as expected in the end of January. Therefore, Mark Banfield, the previous 1E CEO, has officially joined our management board as chief commercial Officer, which we believe is great news. And as Bisera said at the beginning, he's also joining us today in this call.

Over the last weeks, we already brought together our global sales teams in three regional kick-offs, and the amount of excitement and collaboration we experienced across the globe was truly inspiring. Rolling out 1E’s industry-leading DEX platform to our global enterprise and SMB customers will be a key focus of the year ahead. And we are about to set up everything to be able to successfully cross-sell into each other's customer bases.

Moreover, our joint product and R&D organisation is already working on some first product integrations, which we will be able to launch soon to provide more value for our and 1E customers. All in all, the integration project is moving forward at very high speed, and Michael will talk about that in more detail later. With 1E now officially part of TeamViewer, we have created a 2025 pro forma guidance that includes our combined business.

On a like-for-like, and pro forma basis, in 2025, we expect ARR in the range of €815 to 840 million, equivalent to between 7.5 and 10.8% year-over-year growth. Revenue is expected between €778 and 797 million. We expect our profitability to remain very high, with pro forma adjusted EBITDA margin of around 43% in 2025. Michael will also explain this in more detail later on.

Let us now take a look on how the regions and customer categories developed in Q4 and full-year 2024 on slide 6. All regions showed good revenue growth in constant currency in 2024. It was a challenging year, from a macro perspective, with delayed procurement processes. But despite this, we are satisfied with our top-line development. Customer demand remains solid.

We see good client engagement and promising interest to learn more about our new DEX offering brought in through 1E. EMEA led with the highest revenue growth of 10%, followed by Americas with an increase of 8%. APAC revenue was up 7% year over year. This performance was driven by our continued Enterprise momentum, with impressive growth in revenue, with 26% growth and ARR with 21% growth.

SMB achieved solid, mid-single-digit revenue growth of 5% in a challenging environment. In terms of ARR, SMB grew by 3% year over year. Enterprise now accounts for 23% of our revenue mix, underscoring our successful transition to a more Enterprise-focused software provider.

Now, let's move on to slide 7 and look at the development of our different ARR value ranges in Enterprise and SMB. This chart highlights the impressive development of our Enterprise business with strong double-digit growth across all value ranges. ARR between €100,000 and 200,000 grew by 36% in the highest range, followed by 27%, underscoring the trend towards higher-value contracts.

In SMB, the highest-value range, with ARR between €1,500 to 10,000, saw the highest growth and increased by 8% year over year. As in the last quarter, the middle SMB value range declined due to upsell. Let me also remind you that we had a very strong previous year in SMB, which benefited from higher price increases. This adds to a tougher year-over-year comparison.

Overall, net ARR upsell from SMB to Enterprise was €17.2 million. We are also seeing more deals from co-selling with our partners, close to double-digit million in 2024 and growing. So, good progress there as well.

Now, let's move to slide 8 and look at our customers. In recent quarters, I have always highlighted a few new customer wins and use cases, in order to demonstrate the breadth of our product portfolio. Today, I want to emphasise a comprehensive selection of customers that we have won completely new or retained in 2024.

You can see here well-known large companies from various industries worldwide, spanning across all industries, from automotive and manufacturing, to healthcare and pharmaceutical, to retail and consumer goods, as well as banking, consultancy, IT services. Our market-leading solutions continue to create value for these customers across the globe.

As our solutions address the dominant megatrends of our time, we increase our relevance ever more in the market. And now, with 1E, we can even increase this further as we bring more to the table. Having said that, I now hand it over to Mark. He will give you an overview of 1E’s performance in 2024.

Mark Banfield

Thank you, Oliver, and good morning, everyone. It's great to be with you here today. Let me give you a summary of 1E’s performance in 2024. Next slide, please. Our strong focus on innovation and high-value Enterprise customers has delivered tangible results and has fuelled our growth last year. 1E exited 2024 with €73.4 million ARR, achieving an impressive 30% year-over-year growth. Our revenue was €69 million, up 23% year on year.

Our adjusted EBITDA more than doubled in 2024, compared to 2023, and we delivered high profitability with an adjusted EBITDA margin of 27% for the year. Overall, these results highlight a very strong performance in 2024. As shown in these two graphs, 1E has a very strong presence in North America. Most of our ARR is derived from Enterprise customers, with an ACV of around €240,000, which was up 37% year on year.

The NRR is also strong at 113%, which underpins the implicit value and stickiness of 1E’s offerings to our customers. As mentioned earlier, our unwavering commitment to innovation and delivering intelligent endpoint management to our customers is reflected back in our results. We also benefited from strong tailwinds in the DEX market, as the DEX market enters the early majority phase, and enterprises start to see very strong returns from DEX technology investments.

As 1E joins forces with TeamViewer, the combined company is poised to redefine the future of digital workplace, ensuring seamless IT and OT operations for companies of all sizes worldwide. I'm very excited to be part of this journey here at TeamViewer. Oliver will also talk to you more about this later. I would now like to hand over to Michael to present the TeamViewer results.

Michael Wilkens

Thank you, Mark, and good morning, everyone, also from my side. Let's look at TeamViewer full-year 2024 results on slide 12, please. So, 2024 was another strong year for us with strong revenue growth and enhanced profitability development. Revenue was up 9% in constant currency, amounting to a total of €671 million, which was slightly above our updated guidance for full-year 2024.

ARR grew by 7% in constant currency to €684 million. Enterprise NRR further improved to 100%, an increase of five percentage points year over year. And adjusted for the net upsells from SMB customers to Enterprise, NRR reached a strong 109%. Adjusted EBITDA grew by 14% to €297 million, and we generated an impressive adjusted EBITDA margin of 44%, in line with our guidance and exceeding last year's results.

This performance led to an adjusted basic EPS growth of 20% year over year, for the year. We also generated strong

€215 million in levered free cash flow for full-year 2024, which is an increase of 8% year over year. We delivered adjusted earnings per share growth of 20%, reaching €1.05. This was driven by our strong performance and the reduced number of shares following our share buyback programme, which concluded in December.

We also generated a strong €215 million in levered free cash flow for the full year of 2024, which is an increase of 8% year over year and in line with our expectations. Now, let's dive into the details of our results. Next slide, please. The fourth quarter marked a strong finish to the year, with a better-than-expected revenue growth, very good ARR and outstanding profitability.

Q4 revenue was up 9% and reached €177 million. FX headwinds from 2023 billings had a combined negative impact of €1.2 million in the quarter. Revenue growth was mainly driven by large Enterprise and Frontline deals, which we could close in the last weeks of the year. Let me remind you that IFRS requires 80% of Frontline billings to be recognised as revenue upon activation.

The remainder is recognised during the contract duration. Partially, this has led to better-than-expected revenue in Q4. ARR grew by 7% year over year in constant currency on the back of a very strong Enterprise development. This also drove the billings increase of 6% against an already very strong prior year comparison. Multiyear deals with upfront payment amounted to €22 million in the quarter, an increase of 6% year over year.

Over the full year, multiyear deals reached a total of €66.5 million, which is slightly more than we initially anticipated. We were pleased to see that many of our first customers with multiyear deals now eligible for renewal chose to extend their contracts on a long-term basis.

Adjusted EBITDA amounted to €83 million in Q4, a significant increase of 33% year over year, which reflects the lower cost base from the scaled-back partnership with Manchester United. With this, the adjusted EBITDA margin reached an outstanding 47% in the last quarter of 2024.

Let us continue with our Enterprise business on slide 14, please. Enterprise delivered another outstanding quarter. Revenue increased by 38% year over year in constant currency and reached €45 million in Q4. Enterprise ARR, which normalises for the impact of multiyear deals, and Frontline, increased by very strong 21% year over year in constant currency, reaching €150 million at the end of the year.

The trend curve clearly shows a continued strong momentum of our Enterprise business over the last few quarters. Looking at Enterprise net retention rate, in the bottom right, we can see a further sequential improvement. Adjusted for upsell from SMB customers, the Enterprise NRR reached 109%.

This calculation includes customers who had an annual recurring revenue of less than €10,000 at the end of the previous reporting period, but upgraded their subscription since, and are now counted as Enterprise customers. Enterprise ASP further improved to €35,000, while the number of Enterprise customers grew by almost 14% year over year, amounting to over 4,700 customers.

Let me now come to our SMB business on slide 15. In Q4, SMB delivered a solid performance, despite a strong previous year and a continued challenging macroenvironment, which particularly affects lower price segments. In Q4, SMB revenue was up 2% in constant currency year over year, to €131 million. ARR, which gives a much better view of the underlying fundamentals, grew by a solid 3% year over year, following a very strong previous year that benefited from high price increases.

This also affected billings growth of 1% in the quarter. In addition, last year benefited from a slightly higher number of multiyear deals, which impacted billings growth in Q4. The SMB subscriber base reached 639,000 customers at the end of Q4, an increase of 2% year over year, which underlines our continued ability to attract, also, new customers. SMB subscriber churn, again, improved sequentially and now reached 15.3%.

We have implemented measures to further reduce churn and continue to monitor this carefully. Let us take a look at our cost base on the next slide. Profitability improved significantly in 2024, with an adjusted EBITDA of €297 million, up 14% year over year. Total costs increased by a small 2% year over year. This was mainly due to the reduced scope of our Manchester United partnership and our cost discipline throughout the year, whilst we continue to invest in innovation and Enterprise growth.

Consequently, adjusted EBITDA margin reached a very strong 44%, in line with our guidance. Cost of goods sold increased by 17% year over year, mainly due to costs from development of Frontline projects. In addition, certain investments in our product platform are also included in this cost line. An increase of 12% in sales expenses can be mainly attributed to new Enterprise sales staff, whom we hired in 2024 to further enhance our market positioning and drive growth.

Marketing decreased by 14% year over year and reflects the reduced scope of our partnership with Manchester United, which took effect after Q2 last year. This reduction is only partially offset by investments in new talent and Enterprise-focused marketing campaigns.

Costs allocated into R&D increased by 3% in the full year, as we invested in new products, our product security and in-house developers. This was offset by a reduced number of external R&D contractors. Our G&A costs remained broadly stable as a percentage of revenue.

Let us move on to net income and EPS development on slide 17, please. Our adjusted earnings per share increased significantly by 20% year over year, to €1.05. This was mainly driven by higher EBITDA and the reduced number of shares outstanding, due to our share buyback programme, which concluded in December. Our net income in 2024 increased by 8% year over year, to €123 million.

I would like to highlight three main drivers that affected the reported net income in 2024. First, in July, the PPA related to the acquisition of TeamViewer by Permira back in 2014 was fully amortised, which led to a decrease in D&A of 70% year over year. This effect will continue to have similar positive effects in Q1 and Q2 in 2025.

Second, we saw lower FX headwinds in 2024, resulting in an almost stable financial FX result. And third, our income taxes were higher in 2024, due to a change in our tax scheme in 2023.

With this, let's move on to cash flows on slide 18. In 2024, we generated a levered free cash flow of €215 million, up 8% year over year and fully in line with our expectations. Pre-tax unlevered free cash flow grew by 14% year over year, which was largely due to positive effects from the revised scope of the Manchester United partnership.

Levered free cash flow was impacted by higher taxes this year, unlike the previous year, which benefited from tax refunds totalling €6 million. Additionally, there was an increase of interest payments and one-off transaction costs related to the €100 million promissory note placed back in May 2024. Levered cash conversion remained at a very high 73% for the full year.

I will now give you a short update on our financing on slide 19. Let's, first, take a look at TeamViewer standalone. At the end of the year, our leverage was 1.3 times, a significant improvement compared to the 1.8 times, as at 31st December 2023 and fully in line with our expectations. Cash and cash equivalents amounted to around €55 million at the end of the year.

Our strong operating cash flow of €249 million was mainly offset by our continued share buyback of €138 million, as well as net debt repayments of €85 million. Consequently, our financial liabilities improved to €445 million, and net financial liabilities to €389 million, compared to the year-end of 2023. Our share buyback program successfully concluded on 13th December, with a total of €150 million in shares repurchased over 12 months.

In August, we cancelled 4 million shares, reducing the total share count to 170 million. As of 31st December, we held approximately 13.9 million Treasury shares. Let me now explain the financing of the 1E acquisition. As Oliver mentioned already, the 1E acquisition closed on 31st January. The related 1E financing, at closing, is, in total, €635 million, which includes €250 million term loan, €175 million bridge loan and €210 million drawdown of the 2022 syndicated RCF.

The associated average interest rate amounts to around 4%. This brings total financial liabilities to 1.08 billion and total net financial liabilities to 1.03 billion at closing. And as a result, the pro forma net leverage ratio, after closing, of the 1E transaction was 3.2 times, which is already, today, better than what we initially expected. We will continue to focus on disciplined capital allocation.

On the back of our strong cash profile and strong cash conversion, we are committed to reduce this leverage, in the coming eight quarters, to below 2 times by the end of 2026. In fact, we expect to deliver around 2.6 times already by the end of 2025. Before I present the full-year 25 pro forma guidance, let me, first, give you a brief overview of our integration plan with 1E on the next slide.

As communicated in December, we aim to complete major parts of the integration within 12 months and are on track to achieve that. We also communicated that the priority focus is on revenue synergies, in particular, 1E, who has a strong enterprise presence in North America. This offers strong cross-selling opportunities, and TeamViewer offers geographic expansion into EMEA and APAC for 1E.

Our integration plan is well structured, focused on ensuring a seamless transition and already moving at full speed. Overall, we aim to capitalise on each other's client segment, positioning, technology, and product integration opportunities, and go-to-market alignment. Cross-selling in the Enterprise segment is the initial focus.

As Oliver explained, we have already had sales kick-offs in all our regions over the last weeks, and this was a major area of focus. Mark, now, our Chief Commercial Officer, has already set up his commercial organisation. His focus is on ensuring consistent, reliable and predictable customer go-to-market strategies globally.

He will support our regional presidents to enhance performance and execution. We are prioritising the integration of our solutions to unlock powerful synergies between our products, delivering an end-to-end IT management platform. The integrated solution empowers organisations with full visibility, control and compliance over their IT estate, enabling them to proactively identify and eliminate friction, optimise cost and enhance productivity.

By aligning existing AI strategies across both platforms, we drive intelligent automation, predictive issue resolution and seamless IT-OT convergence, ultimately maximising return on investment for our customers. We have prioritised these into short- and mid-term deliverables and will continue to review customer and market feedback as we progress.

Our first integration launching in Q1 will enable a seamless transition into a TeamViewer remote session directly from the 1E platform, and from 1E's context-aware instances within ServiceNow. This marks a key milestone in our roadmap, delivering fast, intelligent, and frictionless endpoint support for our customers.

Additionally, this integration unlocks immediate cross-sell opportunities, including offering TeamViewer to 1E customers, expanding 1E to TeamViewer monitoring customers and enhancing ServiceNow value with deeper automation and remote support capabilities.

And then, the last point on this slide, for processes and underlying infrastructure, we will remove barriers to cross-product adoption and enabling, and will work towards harmonised infrastructure for 2026. We will provide you with updates on our major milestones as we progress with our transition plan.

Let me now present our pro forma financial guidance for 2025 on the next slide. Before I start, please note that the 2024 pro forma financials shown on this slide have been prepared under the assumption that the acquisition of 1E was completed on 1st January 2024 to ensure a transparent like-for-like comparison. As mentioned, the 1E transaction was completed on 31st January 2025.

For full-year 2025, we anticipate continued top-line growth on a pro forma and like-for-like basis, as outlined in the below table. We expect the ARR between €815 and 840 million, which is between 7.5 and 10.8% growth in ARR year over year. We expect the revenue between €778 and 797 million. This translates to between 5.1 and 7.7% year-over-year revenue growth.

Please let me highlight here that these figures do not reflect any potential synergies of the 1E acquisition. As this is a transition year, we have decided to provide a highly indicative revenue range for TeamViewer and 1E, standalone. For TeamViewer standalone, we expect the revenue range between €697 and 712 million, and for 1E standalone, this is between €81 and 85 million.

In addition, our 2024 pro forma adjusted EBITDA margin is already strong at 43%, and we expect this margin to remain broadly stable at around 43%, also in 2025. We will continue to invest in important areas, as R&D, sales, targeted marketing, but we will also see benefits from cost efficiencies from earlier investments and the reduced scope of our Manchester United partnership.

The latter will positively affect the margin trajectory in the first half of 2025. As 2025 is a transition year, we have provided some additional steering. Please refer to slide 22 in the Earnings Presentation. This page includes some indicative steering about our expected quarterly revenue phasing, as well as steering for SMB and Enterprise ARR.

Directional information on non-recurring items related to 1E, expected interest cost, tax rate, leverage ratio and pro forma levered free cash flow conversion is also included. For any questions, please contact, also, our IR team. With this, I hand it back to Oliver again to present our updated strategy and the mid-term targets.

Oliver Steil

Thank you, Michael. So, after you have heard all these content about what we've achieved in the fourth quarter and full-year 2024 and what we expect for 2025, we think it's the right moment to also give you an update, where we see our company and the equity story after the acquisition. If you look at market strategy, product, sales partners and the team, we clearly have all the ingredients for sustained success and accelerating growth.

I will not go over this summary slide, but rather spend the next 15 minutes or so explaining our plan in detail. This slide you know from previous presentations, as it is as relevant as ever before. TeamViewer operates at the intersection of multiple accelerating megatrends that continue to reshape businesses and the digital workplace over the next years. As you know, all the topics on this slide are top of mind for the C-suite today.

TeamViewer's IT-OT automation solutions are addressing these megatrends, driving productivity and progress in the digital workplace. We enable companies to thrive in today's challenging environment and to improve their digital maturity across the business, from IT automation to frontline digitalisation.

Looking at our total addressable market, we see substantial growth potential. Leading industry analysts project spending in relevant categories to grow from around €13 billion in 2024 to €22 billion in 2028, representing a compound annual growth rate of 13.6%. Driven by the secular megatrends shown on the last slide, all categories of our time will experience significant expansion over the next years.

We are also expecting the markets for client endpoint management, remote connectivity and DEX to converge in the mid-term to a combined category of autonomous endpoint management, with additional upside potential for dynamic growth. TeamViewer is very well positioned to capture a significant share of this expanding market.

On the next slide, we show our progress with key strategic initiatives since our IPO. Some of you might remember the Cube Framework from our IPO roadshow. This was the visualisation of our strategy at the time, and, as it should be with good strategy, it still holds very much true today. You can see the three strategic dimensions of growth in customer segments, regional presence, as well as products and use cases that underpin TeamViewer's business.

Since the IPO, we've seen tremendous progress across all of them. Over the past years, we've built a high-performing global sales organisation with offices and representation spanning all regions. This is obviously tightly connected to our success in Enterprise. We came from pureplay SMB before our IPO and delivered a very nice expansion to, now, two strong legs, SMB, and Enterprise.

Going forward, the 1E acquisition will turbocharge our Enterprise motion, as well as our global presence. The acquisition also adds to the third cube dimension. Over the last couple of years, TeamViewer evolved from a point solution for IT remote support to a broad product portfolio, mastering IT-OT connectivity and frontline productivity workflows.

With 1E, we now add unmatched observability and automation capabilities at the edge, that position us at the epicentre of the market trend towards autonomous endpoint management. As a result, TeamViewer today is a much stronger business than at IPO, with significant growth opportunities ahead.

Let's have a look now at the individual dimensions to give a detailed impression, how we have progressed and how we intend to continue to evolve this success story over the coming years. Let's start with our go-to-market approach and the regional expansion that we undertook over the last years. As you can see on the map, our sales locations span across EMEA, Americas and APAC, ensuring a strong local presence in key markets.

Most recent additions in the last years have been a regional sales hub in Singapore to cover the growing ASEAN region. Canada, to strengthen our North American business, Mexico to serve the growing demand in Latin America, as well as sales offices in Jordan and Dubai, to be represented in the Middle East region. With 1E, we will now strengthen our presence in the US and UK further, significantly, with additional offices and key talent in Austin and London.

Moreover, they bring an Indian R&D hub, which will help us win further credibility in the eyes of local government and customer base. This will help us to develop our commercial success in India, besides, of course, adding to our innovation roadmap. Including 1E, we now have around 350 sellers located across regions and driving powerful Enterprise, SMB, and channel business.

At the same time, due to our strategic investments over the last years, our brand is highly recognised and front of mind among IT Professionals in SMB and Enterprise companies for remote connectivity solutions. Over the last three years, we've seen a 329% increase in unaided brand awareness, with 90 million unique visitors on our website last year alone.

This growth in brand equity is supported by our partnerships with prominent sports teams like Manchester United and the Mercedes-AMG Petronas Formula One team.

Let me now discuss our Enterprise expansion on the next slide. Since 2019, we organically increased the Enterprise revenue share from nearly 0 to 23%, alongside a sevenfold expansion in our Enterprise customer base, driven by particularly high growth in our highest-value buckets for both billings and ARR. This ongoing shift enhances the quality of our revenue, driving higher-value contracts and reinforcing the value proposition of our innovative solutions with increasingly complex IT and OT environments.

The acquisition of 1E now additionally bolsters our Enterprise motion, with its impressive Enterprise revenue growth and high average ARR in attractive geographies and industries. Combined, our pro forma 2024 Enterprise revenue share reached 30%, with an industry-leading EBITDA margin of around 43% and continuous, meaningful shareholder value generation.

We expect this momentum to continue, as we leverage our enriched cutting-edge product suite and Enterprise customer reach. Now, let's look at the third dimension of the cube, our technology and the use cases we can address with our product offering. In this context, the acquisition of 1E marks a pivotal step in TeamViewer's strategy. Our goal is to empower customers to elevate their digital maturity within, and across, the IT And OT domains.

The combined company will be able to offer cutting-edge software solutions with a clear path towards high-impact automation and autonomy of the digital workplace. As you know, digital transformation and digital maturity are considerably more advanced on the IT side. This is where agentic AI and autonomous IT solutions are on the verge of early adoption.

With the acquisition of 1E and our organic innovation roadmap, TeamViewer is now strongly positioned to play a vital role in this rapidly evolving and highly disruptive market for the future. But IT is only part of our story. OT is the next huge growth market and presents an equally compelling opportunity. With TeamViewer's global leadership in secure, embedded connectivity, smart service for aftersales and frontline productivity workflows, we are uniquely equipped to benefit from progressing IT-OT convergence.

It is this unique footprint that enables us to bring AI innovation from the IT to the OT domain, to offer end-to-end digital transformation. For instance, the recently released Session Insights feature for IT remote support sessions will soon be available for the AR-based assistance of our aftersales solutions as well, to capture tribal knowledge in the field.

All of the beforementioned shows we have a clear strategy in place that builds on highly relevant megatrends and a unique positioning at the crossroads of two very attractive growth engines. We are taking decisive steps to execute this strategy, and we are excited about the opportunities this brings for our business, our customers and partners, our employees and, of course, our shareholders.

The next slide shows the productivity improvements and value we bring to our customers. You probably have heard of most of these customer stories already in the past. Therefore, I will not go over them in detail, but it's important to understand the breadth of our product portfolio and its relevance across industries.

Market leaders from all over the world trust in our solutions to streamline IT operations, remove friction and downtime, improve customer support, digitalise processes along the entire value chain and overall increase efficiency. All of them achieve significant improvements and tangible results. No matter if in the healthcare, manufacturing, logistics, or retail industry, customers choose our solutions because we are a recognised leader in Frontline AR solutions, remote connectivity, and now, with 1E, also in DEX.

Another key ingredient of our success, in terms of expanding our portfolio and use cases, is our strong position in the global tech ecosystem. TeamViewer has developed strategic partnerships with renowned global IT and OT leaders, such as Microsoft, SAP, and Siemens. These partnerships involve joint product roadmaps, co-marketing efforts and deep integrations with industrial applications.

As I mentioned earlier, we are also seeing more deals being delivered through our partners. Notably, 1E brings similar partnerships to the table, for example, a very attractive integration in ServiceNow. Our collaboration accelerates digital transformation for our customers and increases the stickiness of our solutions.

As seen on the slide before, Nadro, one of our most successful Frontline vision picking rollouts, is a joint win from our SAP partnership. With Siemens, we are working on several high-calibre deals, and a year ago, we have already been able to close a milestone deal with one of the world's leading aerospace companies to support their global training and onboarding program with spatial computing.

And only end of 2024, we have strengthened our Microsoft partnership with the announcement of the advanced integration of our remote connectivity and AI-based Session Insights capability with Microsoft Teams and Copilot to improve and automate IT support.

Let me now elaborate a bit more on the role of 1E in the context of our product offering. I've already touched on how this strategic acquisition will turbocharge our Enterprise mix shift and go-to-market motion. Additionally, and most importantly, 1E adds unique technology and patent pending innovation to our solution stack. This will prove to be a key stepping stone to building out a leading IT-OT automation platform.

The nascent and rapidly growing category, digital employee experience, in short, DEX, merits some explanation. At the core of 1E's solutions are cutting-edge end-user computing, EUC, and specifically, remote monitoring and endpoint management capabilities. Where 1E truly excels is real-time observability at the edge, and then instantaneous offline remediation.

We are talking about milliseconds between identifying and fixing a potential issue on the device. These market-leading, real-time observability and self-healing capabilities, coupled with powerful AI automation, allow IT teams to shift focus from reactive incident management to proactive and preventive IT management. This is captured by the DEX term, describing an emergent paradigm shift from endpoint and problem-centric IT Management to outcome and end user-centric.

The aim is not, anymore, to only fix problems. The aim is more strategic, to improve business and employee productivity by automating for compliance with the best digital workplace configuration in a specific context. As you already know, 1E's leading position in this space has been recognised by independent industry analysts from Gartner.

Together, TeamViewer and 1E aim to develop the intelligent endpoint that eliminates friction from the digital workplace across IT and OT. And how do we want to achieve this? There are three building blocks with uniquely synergistic capabilities across both companies.

First, by combining the leading DEX observability of 1E with knowledge capture from TeamViewer's millions of remote support sessions, we create proprietary intelligence on IT-OT anomalies, the resulting friction, and how to better resolve problems.

Second, both companies feature unique edge control capabilities. While 1E has strong real-time remediation and automation, TeamViewer brings the gold standard of secure remote access and support. It's easy to see how there are immediate synergies in a seamless integration between auto-remediation for known recurring problems and manual expert intervention for the more difficult ones.

Third, AI is key to this acquisition. By combining proprietary intelligence and unique edge control capabilities, we will be able to pioneer groundbreaking agentic AI innovation. A co-pilot will make exports more efficient by augmenting support sessions with important context, guided workflows and automation triggers.

The AI autopilot will deliver continuous offline self-healing capabilities on the edge, with increasing levels of autonomy. This is what Gartner tracks as autonomous endpoint management on the midterm innovation horizon. This combination not only brings together two recognised digital workplace category leaders and two best-in-class solution suites. This is a strategic play to synergize the powerful capabilities and modes of both companies to create something new and truly unique.

We talked a lot, so far, about our successful Enterprise business and how 1E is going to contribute to it, but our SMB business is equally important for our future success. And as you know, TeamViewer has become the de facto industry standard for remote access and support, and is widely known and recognised for this.

Since the IPO, we successfully grew our strong SMB customer base to well above 635,000 customers in 2024, while tripling the billings in our highest SMB ACV bucket. This demonstrates our strong record of successful up- and cross-sell into TeamViewer's large and growing SMB customer base.

On the product side, with the acquisition of 1E, TeamViewer is uniquely positioned to bring AI-driven DEX capabilities downmarket. We will, therefore, introduce a streamlined, rapid deployment version of 1E, tailored to the specific needs of SMB and MSP. Additionally, the upcoming release of an in-session AI co-pilot in our core product will help understaffed IT helpdesks of smaller companies tremendously to resolve more tickets faster and better.

As you know, IT innovations typically start in the Enterprise sphere and then trickle down. Being industry leader across segments, TeamViewer holds the natural position to drive this forcefully. We are confident that these cutting-edge product additions with very tangible AI value propositions will resonate strongly with the vast amount of SMBs and MSP in our customer base.

In conclusion, TeamViewer is well positioned, and has all the ingredients at hand, to further succeed in the market. Our products address ongoing megatrends. We are a category leader across our solution portfolio and have a huge customer base to leverage. We have built up an outstanding brand equity and forged great partnerships in the global tech ecosystem. All of that while maintaining our best-in-class financial profile.

As you can see, we are on a strong trajectory for sustained double-digit revenue growth from full-year 2027 onwards, aiming to cross €1 billion in revenue by 2028, propelled by the positive mix effect of an Enterprise revenue share above 40%. With best-in-class margins growing back to 44 to 45% range and declining interest expenses as we delever, we will create substantial shareholder value and grow our EPS by 70% between 2024 and 2028.

Our commitment to innovation and leadership in IT-OT automation positions us well for future success. We look forward to continuing our journey of growth and transformation, creating a world that works better. And with that, I would like to hand it back to the Operator to open the Q&A.

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the question queue. If you wish to remove yourself from the queue, you may press star and two. Participants are requested to only use handsets while asking a question.

Anyone who has a question may press star, and one at this time. The first question comes from the line of George Webb from Morgan Stanley. Please go ahead.

George Webb

Morning, Oliver and Michael. I appreciate the detail you've laid out in the presentation. I've got two questions. I want to dig into a couple of the details you provided. Firstly, actually, on the 1E side, can you talk us through the moving pieces on the 1E growth guidance for this year? I guess, on one hand, we've got the 30% ARR growth in 2024.

Looks like, at the mid-point of the 2025 guidance range, that's a 20% stated revenue growth rate, so fairly large deceleration. But also appreciate there’s some moving parts, such as the Veteran Affairs contract win last year. So, can you bridge us on the growth guide on the 1E side?

And the second question, if we think about your mid-term targets, if I take the revenue range you've given for 2028, you've said that you expect at least 40% in the mix to be Enterprise. I think, if we take 40%, it implies a mid-single-digit CAGR of growth on the SMB business. Again, I appreciate that’s an, at least, 40% target, but I'm presuming you're still expecting some continued upsell from SMB customers into Enterprise.

So, what are the levers of growth you expect to be driving on the SMB business over the mid-term that would allow you to deliver on that sort of growth rate, given the SMB business, on an ARR basis, has been decelerating over the past year? Thank you.

Michael Wilkens: Yes, let me take let me take the first question, George. It's exactly as you pointed out, 30% growth last year in ARR, with a very specific deal of VA. If you would exclude for that one or adjust for that one, 1E would have been in the growth of, vicinity, 17% or so. And this is exactly, also, what we see from the pipeline development and from the conversion for 2025. And this is why we, not decelerate, but we adjust for this very big one-off of VA. We may have more, but we cannot plan for that.

Oliver Steil: Yes, maybe, second question, mid-term target SMB, indeed, as you say, Enterprise about 40%. But still, we do believe that we can reignite growth on the SMB side. I think it's fair to say that, if you look at the 2024 growth versus 2023, that was a tough comp, and we still have been able to grow. But on top of that, we are sitting on 639,000 subscribers, SMB base, which is a huge base, and a large chunk of them are in the very active, very loyal segment, which we've been able to upsell to recently.

Now, with the acquisition of 1E, and also our own organic developments already before AI-based Session Insights and the like, we do believe that there is more product innovation to come and extended product portfolio to cross-sell into these SMB customers. This will then, also, in turn, improve stickiness, if we have more use cases that we cover, which will then drive churn down.

We also believe that there is room, and we see that already, for smaller price increases every year. So, this will be the growth formula, continued upsell and cross-sell, based on a wider product range, stronger stickiness in the relevant segments, churn down and some price increases, and largely stable subscriber base.

George Webb: That's great, thank you. If I could just add one more on? I haven't looked at the in too much detail yet. You've given us the quarterly revenue expectations for through the year. Good Q4. Just as you're looking through Q1 so far, how are you seeing that shape up?

Michael Wilkens: Yes, we have provided additional information on the quarterly development on page 22, in the overall presentation, and this gives you the pro forma development, how we expect it. That's the best possible outlook we can give for you right now.

Oliver Steil — I think the question was also, how are we seeing Q1? Was that the question, George?

George Webb — Yes, I guess, just how you're seeing end market conditions on the demand side. I guess, there's two elements to that, one, just the macro, then, secondly, a lot of companies, when they have a great Q4, maybe pull some pipe out of Q1. Just wondering, to what extent you've seen any of that?

Oliver Steil — Yes, look, I think we've given you the seasonality, and that's a reflection of what typically happens, that Q4 is strong, and there's an element of pipe cleansing, so to say, in Q1. And I think that's very normal. In Enterprise business, you will see that, and that's reflected in the quarterly buildup, as we've seen. So, there's nothing more to say than what we've provided as indications.

So, in that sense, pretty normal start into the new year and the first quarter. The other part of your question, macro, the way we look at it is, EMEA, so Europe and APAC, had pretty much unchanged macro conditions. Some countries do better than others, but in in general, it's not a great macroenvironment.

I think the only exception is probably the US, where it seems that the spirit in companies and also within our company, if I talk to the sellers and the marketing people there, seems to light up a little bit. But early days. There's so much messaging going on in various directions, that's really hard to predict, but I would say that's a slightly more positive environment.

George Webb — Thank you. Have good luck for the rest of the year.

Michael Wilkens — Thank you.

Operator — The next question comes from the line of Ben Castillo from BNP Paribas. Please go ahead.

Ben Castillo — Morning, folks. Thanks very much for this. A couple of questions from me, please. Just if we look at the organic guidance for this year, so excluding 1E, to me, it looks like revenue growth of 4 to 6%, probably in constant currency, a little bit less than that. And that's despite you exiting 2024 with ARR, more like 7%.

So, perhaps, can you just help me understand, a little bit, what is in that bridge-down and the implied organic slowdown for this year? That's the first question. And second question, just in terms of reporting for this year, what

	should we expect, and when's the first year of integration? Will you provide an organic plus-1E contribution, pro forma breakout, as you have done, helpfully, for your guidance? Thank you.
Michael Wilkens	If we start with the first one, exactly, the breakdown of TeamViewer 697 to 712, on the constant currency, this is a notch down, which is a normal FX headwind that we are faced with. And in combination with the 7% ARR of last year, we also have to take into the equation the Q4 billings performance. So, all in all, this is a good mix for us. And remember, we had, and Oliver mentioned that, the SMB development, and we need to ramp SMB as we start into the year. On the second one…
Oliver Steil	Yes, reporting, we've given the indicative look into standalone businesses, 1E and TeamViewer. And obviously, the target is, throughout this transition year, to give you enough visibility on the separate businesses to be able to track the success of both. So, this is the idea for 2025 as a transition year.
Ben Castillo	Great, okay. Thank you.
Operator	The next question comes from the line of Alice Jennings from Barclays. Please go ahead.
Alice Jennings	Morning. Thank you very much for taking my questions. Just a couple from me. So, firstly, with the Enterprise pipeline, so obviously, I understand that there was quite a few large Enterprise deals that were closed in the last few weeks of Q4. So, were many of these deals pulled forward into last year? And how does the pipeline look for the rest of the year on the Enterprise side, following the closure of those deals? I guess, just trying to understand the level of pipeline conversion that you're expecting there. And then the second question is just on the ARR guidance for this year. It's quite a wide range, about 7.5 to 11% or so. So, I was just wondering, what are your assumptions for the high and the low end of this? So, what sort of things would need to happen, in order to reach either end of this range? Thank you.
Oliver Steil	First question, let me take it. So, Enterprise, nothing abnormal. Yes, we had a good closure, a good conversion towards the end of the year, but that is exactly what the fourth quarter in Enterprise should be. And then you have pipeline for the new year, for the outer quarters of the new year, and typically not so much for the first quarter, because

there's not much closing dynamic in the first quarter in most countries of the world.

But all of this is factored into the indicative seasonality that we've provided on the slide. So, if you want to really model the quarterly buildup of revenues, we have taken the visibility that we have on the SMB business, the visibility on the renewals NRR that we have on the Enterprise business, the view on pipeline for the remainder and then the full year, which is backend loaded, obviously, and the conversion rates that we see in the business. And that's all factored into the quarterly buildup.

Michael Wilkens — Yes, and on the ARR range, 25 million is a big range or a small range, but anyhow, I think we laid the foundation already with 1E. What happened in 2024, if there's another very big deal coming, which we cannot foresee right now, this might push us, then, obviously, also to the higher end. But on purpose, we decided for this range.

Alice Jennings — Great, thank you very much.

Operator — The next question comes from the line of Mohammed Moawalla from Goldman Sachs. Please go ahead.

Mohammed Moawalla — Great, thank you. Good morning, Oliver and Michael, and congrats on the numbers and also the additional colour you've given us to help us think about these going forward. My first question was really on the 1E. I appreciate, 2025 is still going to be a year of integration, and I assume you're assuming minimal synergies, but when you think about a lot of those revenue synergies, what are the kind of KPIs we should look at?

Is it the upsell, in terms of the ACV? Is it the NRR that you're able to extract in Enterprise? What has been the…? I know it's been a couple of months since you've announced the acquisition. How has that pipeline build evolved, for us to get comfort around that acceleration in that overall Enterprise growth number beyond 2025?

And then, secondly, just coming back to the core business, obviously, this mid-single-digit growth you've assumed, how should we think about that prudence around that or the upsides/downsides around that growth? Obviously, churn has stabilised post-COVID, but I know you launched TeamViewer Remote last year. Any updates on the traction that's had and whether this is baked into your assumptions around some of that acceleration? Thank you so much.

Oliver Steil — Yes. We'll start first with the synergies beyond 2025. So, kind of, rough cut, what is our view here? We've put revenue synergies into the plan for 2026 and the following years. The reason being that this year is the transition year, as you rightly say. So, we're setting up the sales organisation. We're integrating the sales organisation.

We, basically, have the sales organisation of previous 1E as the expert sellers for DEX solutions, which we are now using to pair up with the very significant number of TeamViewer enterprise sellers globally to address DEX and automation opportunities across the customer base.

So, this year is, setting up the structure, enabling the people and going out there and starting to sell. Now, then these people, sellers, will build pipeline. And to your question, we see, already, the first interaction on the customer side. January started with sales kick-offs, internal focus, reorganising the teams and then go out, talk to customers.

And this is slowly starting. We are only first couple of weeks, but then they're going to build pipeline. And as you know, Enterprise sales cycles are six to nine months, or to 12 months, depending on the use case, and therefore, we will see ARR generation from this, only towards the end of this year, which then generates revenue in 2026. So, that's the logic.

What is it, de facto, we're doing? In simple words, we take the 1E solution portfolio and use cases and position them with the 4,700 TeamViewer Enterprise customers. And we take the TeamViewer solution set and approach the very high-level customer contacts that 1E generated in its around 300 Enterprise customers. So, it's a cross-sell initiative to add use cases in existing customer accounts.

Obviously, with more use cases in one customer, you will then, over time, eventually, also increase stickiness even more, reduce churn even more. But the number one source of synergies is cross-sell into each other customer base with the new use cases and the trickling down, as I discussed in the equity pack, the equity story, of the 1E proposition into the SMB base.

Which leads me to the second point, SMB growth. Yes, clearly, COVID is behind us. The churn effect has washed out mostly. Then, last year and the year before, 2023, we had some significant price increases. That was a tougher comp. And we are operating in a pretty rough macro environment, especially for smaller companies, in most markets. And we still have seen some growth.

We believe we can slowly reaccelerate from here. Because of the additional products, we will have functionalities, use of AI and general stabilisation of the base and churn

	improvement measures, which will come through. And that's why we believe we get it back to a mid-single-digit growth over time.
Mohammed Moawalla	That's great. Thank you.
Operator	As a reminder, if you wish to register for a question, please press star/one. The next question comes from the line of Victor Cheng from Bank of America. Please go ahead.
Victor Cheng	Thanks for taking my questions, actually. Victor Cheng from Bank of America. I guess, well, a couple, if I may. Going back to the question that George alluded to earlier, SMB, looking at the 28 guidance, well, the ambition and the target and the mix of Enterprise, it seems like the SMB needs some bit of growth. And I guess, I assume that it's not reaccelerating to that, maybe 5% CAGR this year. So, that means, in 27/28, that you would expect higher growth than that. I heard you about cross-selling and other stuff, but how confident are you? What are the building blocks? Can you maybe elaborate a bit more on that? And then I have another follow-up.
Oliver Steil	No, sorry, I think, on SMB, that's a misunderstanding. We don't expect a significant growth acceleration there. We're now in the 3% or so, and we want to get back to 4 or 5%. And this is it, because if you take the overall growth ambition in the outer years, 27/28, the mix effect of Enterprise growing around 20%, whatever the ultimate number will then be, is pretty significant and quite straightforward. So, if you take that development and the, I would say, relatively benign amount of synergies that we put into 26 and 27 and beyond, you get there, in terms of growth. And therefore, we are very confident with the SMB development because it is not a meaningful reacceleration that we need in the outer years. And I think we already see that, even, as I said, tough macro and tough comps. We still have generated growth. We have moved, also, the entire company to an ARR steering logic, which will also refocus the inside sales organisation a lot on in-year ARR generation, and we see that coming through already. So, that's not such a big ambition on the SMB side.
Victor Cheng	Got it, very clear. And then maybe on the 1E side, I'm thinking about the cross-selling into each other's customer base. Realistically, what's the overlap you think that can happen, given 1E is obviously more enterprisey, and a large portion of TeamViewer is maybe a maybe a different kind of enterprise? Have you looked at it, what overlapping customer base is there?

Oliver Steil	Yes. So, the overlap of the customer base is very, very limited. As you would think, TeamViewer, 4,700 roughly, and 1E around 300, so that gives you 5,000. Very little overlap. It's true, what you say, that if you take a logo, a company, that the TeamViewer sell into this company, even if it's Enterprise, is maybe more on VP level and not on C-level, while 1E is selling into C-level, very clearly. But that's a significant opportunity, because we will get more access to higher-level management within an organisation because we have much more topics to present now, and we have more innovative solution with DEX to talk about. DEX is a C-level topic. It's discussed on C-level, so that will help to elevate the relationship that we have within TeamViewer, because the names, the logos, as you can see, if you could see, I think in the presentation, are absolutely the biggest enterprise in the world, also from a TeamViewer side. But there is upside to elevate the level, on which we discuss. And 1E will help a lot with this. It's a great door opener because it's a modern, innovative topic that people want to talk about.
Michael Wilkens	Plus, Victor, on top of the 5,000 customers, or 4,700 plus 300, which Oliver just mentioned, please remember that in the SMB space, we have many sleeping big, big corporates, which are waiting for us together to be activated.
Oliver Steil	Yes, do you remember the lookalike analysis at the Capital Markets Day a few years ago, where we said, this is at least 20,000 at the time, so we still have at least 15,000 left? This is a very sticky customer base, where we also see the highest growth at the upper end of SMB. And those are the customers that we move into Enterprise over time and upsell 17.2 million last quarter, and that's continuing. And 1E is a great engine for that.
Victor Cheng	Thank you, very clear. And maybe a quick follow-up on that. Of the SAP partnerships and a few other partnerships that you have built on the TeamViewer side, pre-1E, do you think those partnerships will come into play as well? Or it's addressing, like you said, different levels of executives?
Oliver Steil	It depends on the different partnerships. If you go through, relook at the equity story, the slide, certainly, if you take the Siemens partnership, it's probably furthest away to leverage the 1E capabilities in this partnership, because there we talk Frontline enablement. We take AMR training use cases, which is a longer way to apply 1E methodologies. But if you look at the SAP service now, Salesforce, Microsoft partnerships, that's much more straightforward. And we are

already discussing that we drive the integrations, deepen the integration with these types of players, because now we have a much bigger portfolio. And again, that elevates the level where we can discuss and approach customers.

Victor Cheng

Okay, that's very interesting. Thank you.

Operator

The next question comes from the line of Gianmarco Conti from Deutsche Bank. Please go ahead.

Gianmarco Conti

Hi, there. Thank you for taking my questions, Oliver and Michael, and congrats again on a good, strong Q4. So, I have a few on my side. You talk, on the press release, about agentic AI and autonomous IT solutions, but could you share, perhaps, your current product footprint in this AI ecosystem and share with us some recent wins where these would be categorised as such? And perhaps quantify the revenue opportunity ahead, if there is enough visibility?

It's not news that there's an obvious influx in VC funding for start-ups trying to disrupt virtually every corner of the software industry. Just trying to gauge your thoughts, as to recent competition changes and forces you see in your core markets.

Oliver Steil

Yes. So, obviously, we are quite at the beginning of this, but we have launched, now, our AI proposition, for TeamViewer standalone, but it will be converging pretty quickly with the 1E proposition. So, the whole idea is, you automate much more using AI algorithms, but very importantly, almost more importantly, using telemetry data that we have access to through our TeamViewer sessions.

And I think that's the key point. As you say, there's lots of money flowing into start-ups to disrupt existing businesses and existing workflows and value chains, but what is really interesting is that, if you combine the new capabilities with the data that you have access to and a product like TeamViewer with the huge amount of customers, we see support management and remote-controlled session in abundance every day.

And we see the telemetry data that is being modified and the scripts that are being executed every single day. And we take this data, combine it with AI, and out of this, generate automation routines with AI-based scripting and the like. So, there's a whole new way of using what we have been seeing in the past years within, obviously, the regulatory scheme of AI regulation, where it's applicable, and then GDPR regulation. The customer has to opt in and the likes, and the likes.

And this is a massive, significant functionality, because you basically tell a small customer that is doing IT support services with, say, ten admins or ten IT experts, and tell them, well, now you can have an additional functionality and learn from what you're doing every single day and not only help you be faster within a session, but also learn from those sessions to automate more going forward and then resolve more tickets faster and charge your customer for ticket resolution and not for taking time, so to say.

And so, that's a very, very important concept, which we're working on. We have the solution there. We have the first customers on the platform, paying for it. Obviously, we are all, the whole industry is, in trial and error on pricing, marketing, packaging and how to best do it. But if you look at this functionality and bringing this to about 640,000 SMB customers, over time, we see that there’s a very significant upsell opportunity into our customer base.

And you don't need to think about aggressive pricing or add-on pricing for this functionality to get to a very nice one- or two-percentage point extra growth in the SMB base.

Gianmarco Conti

Okay, so it could basically be like a way for you to increase your spend in customers, without having to be specifically seat-based, because if you're doing ticket resolution, as opposed to time, then I guess, over time, the model could change, correct?

Oliver Steil

Yes, over time, the model changes. It's outcome-based more than it's time-based, exactly. And obviously, we, are, anyway, not charging time-based. Now, if you think about it, the faster these smaller IT service providers can resolve tickets, the better for them. The more customers they can handle, the more profitable for them.

And if they pay our license, and we give them a better tool and better functionality to be faster, then there is an immediate value creation from this, and we can charge for that.

Gianmarco Conti

Amazing. I just want to have a few follow-ups, if possible. Just one on capital redistribution. Should we expect any further share buybacks, or will there be more a focus to delever? And the second and final one, I guess you've touched on this a fair amount in the call, but could you maybe give a bit more detail onto the levers, for which you give enough visibility to guide that detailed revenue growth to 28?

I'm sure you have some base assumptions for both the bottom and the high end, but because you give such detail from 26, 27 and 28, I'm just trying to understand, really, what are the key assumptions here, from a particular standpoint. If it's like you have a number of large customers you want to convert, or if it's like, okay, we're assuming X amount of upsell and cross-sell plus pricing that gives us a base of this, and that's the revenue. Just trying to understand the thinking into that detailed model.

Michael Wilkens

Yes, let me start with the first one, Giani, thank you, on show buyback or capital allocation. So, the first duty for us is, for the next two years, to delever as fast as possible. And we are already strong out of the gate with 3.2 on the net debt leverage versus 3.3. So, we expect to be down to 2.6 by year-end and then below 2 by the end of 2026.

So, in this timeframe, we rather do not think about any further share buybacks. And once we are there, then we will think on other opportunities on capital allocation.

Oliver Steil

Yes. And the other question, look, the exercise we've done… And that's why we haven't presented that in December, when we announced the 1E acquisition, because that was really too early. We were busy with the acquisition. The work since then is really detailed cohort analysis, going through the SMB base and the Enterprise base.

We do understand our churn, our upsell, cross-sell developments over the last quarters and years. We know and understand the upsell from SMB into Enterprise. We have assumptions on the cross-sell synergies and the standalone 1E development, obviously, as well. And if you put these things together, and then, as I said before, factor in the mix shift between SMB and Enterprise and the consistent delivery of Enterprise over the last quarters, the revenue growth ranges that you get to are relatively, I would say, straightforward to model.

And there is not a step change in the assumptions going forward, neither on the high, nor the low side, where you actually say, okay, here is the year where the following needs to kick in, in order to have a significant acceleration of growth. That's not the case. It's pretty much a high visibility, and then the synergies on top, the mix effect that's kicking in, that gets us to these revenue ranges.

Gianmarco Conti

Understood. Very clear. Thank you so much.

Operator

Ladies and Gentlemen, at this time, there are no further questions. I would now like to turn the conference back over to Oliver Steil, CEO, for any closing remarks.

Oliver Steil

Okay, thank you very much. Thank you for your questions. Thank you for joining. So, I hope that was informative. A bit longer than usual, but probably deserved after the transaction. And if you have anything else you would like to go deeper, please contact IR, and I'm sure we see you on the road with investors over the next few weeks. Thank you very much. Bye-bye. Have a good day.