TeamViewer SE

Q1 2025 Earnings Call

6th May, 2025 | 09:00 CEST

Transcript

Speakers:

Oliver Steil

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Bisera Grubesic

Bisera Grubesic

Good morning, ladies and gentlemen, and welcome to TeamViewer's Q1 2025 earnings call. I am Bisera Grubesic, Head of IR. And today, I am joined by our CEO, Oliver and CFO, Michael. As per usual, Oliver will run you through the quarterly business highlights and Michael will present the financials, and the presentation will be concluded by a Q&A session.

If we move to the next slide, today, we will present a non-IFRS pro forma top line and adjusted EBITDA performance. Pro forma figures are prepared for better comparability and transparency, following the combination of TeamViewer with 1E on 31 January 2025. Historical pro forma financials are not prepared below EBITDA and the cash flow. For details on how we prepared pro forma figures, please refer to the press release and the appendix of the presentation. Please note that you can find the important notice and the APM disclosure also on slide two and three of the presentation. With this, I hand it over to Oliver, to kick off our presentation.

Oliver Steil

Thank you, Bisera. Good morning, everyone. Also, a warm welcome from my side. Thank you for joining our call today. And as usual, let me begin with the highlights of the last quarter. Q1 2025 was really a good start to the year for TeamViewer. On the top line we recorded a strong pro forma revenue growth of 7% in constant currency year-over-year, with good contributions from all regions. As in the last quarters, Enterprise was really driving growth with a strong double-digit pro forma revenue increase over the prior year of 21% in constant currency. This came on the back of numerous high-value deals for both TeamViewer and 1E over the last 12 months, as well as from new frontline projects within the quarter.

Our ARR showed good growth as well, up 7% in constant currency on a pro forma basis. And profitability was strong in Q1, with pro forma adjusted EBITA up 20% year-over-year and a strong margin of 43%. This was largely due to optimised marketing spend. After the 1E acquisition, we further optimised our financing in the first quarter, and we already improved our net leverage ratio to 3.1 times adjusted EBITA of the last 12 months.

Overall, first three months, set a cautiously positive tone for the year against the backdrop of a challenging macro environment. We're making good progress on the integration with 1E, with exciting new products already launched, and the pipeline is building nicely. We recognise, though, that we are still in an environment with increased macroeconomic uncertainties and reduced visibility. And while we're being cautious, we reiterate our pro forma full-year 2025 guidance. We anticipate continued top line growth on a pro forma and like-for-like basis. As usual, let's now take a look on how the regions and customer categories developed in the quarter.

After our sales kick-off in January, all regions started very well into the year and continue to grow. Pro forma and in constant currency, Americas recorded the strongest revenue increase of 10% year-over-year. EMEA grew at 6%, and APAC by 4%. The main driver of this performance was the continued strength of our Enterprise business, as well as 1E's enterprise-focused client base, which was supported by a number of high value deals over the last 12 months. The continued strength of our combined Enterprise business is highlighted by its double-digit growth rates. Pro forma Enterprise ARR grew nicely by 20%, while revenue was up 21%, both in constant currency year-over-year. With the addition of 1E's business, Enterprise now makes up almost a third of our total revenue, further accelerating our transition to a more enterprise-focused software provider. And in the current quite challenging environment, SMB pro forma ARR and revenue recorded a solid increase of 2% each year-over-year.

Let us now look at the development of our different ARR value ranges in Enterprise and in SMB. Pro forma and in constant currency, as you can see on the right side, and just reiterating what I said, our Enterprise business showed strong double-digit growth rates across all value ranges, with the strongest increase of an impressive 28% in the highest bucket, with deals above €200,000 ARR. This is mainly related to 1E's high-value deals won in Q2 last year.

And on the left side, we can see the development for SMB in the quarter. Here, the highest value range with ARR of €1,500 to €10,000 showed high single-digit growth of 7% year-over-year, underlining our success in up- and cross-selling. The lower value SMB bucket was flat year-over-year for several reasons. Customers in the entry bucket are highly price sensitive and therefore cautious in the current macroeconomic environment. And moreover, we saw less contribution from our free-to-paid campaigns this year compared to last year. And we were able to, again, successfully move customers upwards within the buckets.

To reignite growth in these buckets again, we have already prepared and partially started a few initiatives, which I will talk about in more depth on the next slide. These initiatives include new, dedicated leadership for the SMB business, new product innovation with comprehensive marketing support to expand into adjacent markets, more SMB targeted brand campaigns, and a unified e-commerce experience across web shop and product.

Overall, we continue to be successful in selling product add-ons to SMB customers and moving them to Enterprise. In the first quarter, net upsell from SMB to Enterprise amounted to €17.6 million, which is an increase of around €400,000 sequentially. To sum this up, while there is still work to do in the SMB segment, of course, we are very happy with the continued strength of our Enterprise business and the upsell. I will dive deeper into both categories on the next slide.

Let me elaborate a bit more on what we've done concretely in the first quarter that set us up for success in 2025. Regarding our enterprise business, we have followed an approach that was proven to be successful in the last years as well. It is important to meet a lot of customers and prospects early in the year to start conversations and be able to develop these leads into business over time. The entire management board was present at relevant industry events, like HANNOVER MESSE, the HumanX AI Conference, or Gartner Digital Workplace Summit in the US. Additionally, we hosted our own experience days in China and Japan around the Formula One races to connect with our local partners and customers.

My personal highlight was the talk at HANNOVER MESSE, together with Siemens and our joint customer, GE Aerospace. Their CIO engineering presented how they use our spatial solutions to digitalise the training of their technicians globally. They used to do that on a 600-page service manual, with over 1,000 process steps and 200 components. Now, they use digital twins of the aircraft engine and step-by-step instructions based on our Frontline AR platform for a completely new, fast and scalable training approach. Great to see how such real-life examples spark conversation, and inspire other customers at these industry events.

On the other hand, as I have mentioned a few minutes ago, we've also made a lot of progress in the SMB segment, especially in the context of the 1E integration. Already mid-March, so only a few weeks after we closed the acquisition end of January, we were able to present first integrations between TeamViewer and 1E technology. Concretely, the real-time endpoint visibility of 1E's DEX platform was integrated into our device monitoring, which is part of our remote monitoring and management solution for SMB customers. And only yesterday, we went one step further and announced TeamViewer DEX Essentials, a new add-on to our remote connectivity platform, and especially interesting for SMB customers. I will explain it a bit more in a few minutes. Of course, we continue to work on deeper integrations and new offerings, and are planning another SMB-targeted product launch within the next weeks.

Additionally, I would like to highlight two additions to our senior leadership team, as they are relevant for our SMB business, as indicated before. Earlier this year, our previous VP of Acquisition

Marketing, Rolf Anweiler, took over a new role to be responsible for the entire SMB go-to-market strategy and execution at senior leadership team level. And we have brought in Debbie Lillitos, our new Chief Customer Officer, with a clear mandate to drive customer centricity inside the organisation. With the above-mentioned very concrete plans and activities, we are optimistic to bring our SMB business forward in the course of the year.

Now, let me give you an update on the progress of our integration of 1E. We've already successfully completed the first phase and are well on track to complete the majority of the integration within 12 months after closing. In terms of go to market, we already enabled cross-selling of our enterprise products and pipeline generation at the beginning of the year. Since then, we've had good discussions with TeamViewer and 1E customers, and the pipeline is developing nicely. With our new DEX Essentials offering for SMB, we've taken important steps towards SMB cross-selling, which will serve as the basis for our integrated go-to-market readiness in 2026.

Looking at product and technology, I already mentioned that cross-product integration started as planned with the launch of our first integrated solution in mid-March and the announcement of DEX Essentials yesterday. We are now working on aligning our separate product strategies and roadmaps to fully integrate them in the next few months. Let’s move on to the last point on this slide, processes and infrastructure, which are crucial for building a successful organisation. Our structure has already been streamlined across departments, and we are very well underway integrating our office locations, processes and separate IT infrastructure, such as the CRM and the ERP systems. We will continue to assess synergy opportunities as we progress with our transition plan and make sure to capitalise on potential optimisations.

The next slide shows the new product I talked about already several times. TeamViewer DEX Essentials is an add-on license to our remote connectivity platform that brings the power of digital employee experience to our existing SMB customers, using TeamViewer for remote support and access. DEX Essentials is an out of the box and easy to deploy version of 1E’s DEX platform to help any IT team proactively manage and optimise the digital workplace, no matter at what scale. With this offering, we are the first ones to bring the enterprise-grade DEX capability down market. Going forward, we can make it available for our entire customer base, exactly as we told you when announcing the 1E acquisition in December last year.

DEX Essentials can be accessed from an existing TeamViewer remote connectivity account, and it automatically detects and remediates IT issues through automated scripts. The product is available in an early access program now, and will become commercially available later this month. First feedback from customers is very promising and shows that the combination of remote connectivity and DEX technology hits a nerve to make IT operations seamless and efficient.

To round up my part of this presentation, I would like to share with you our latest marketing campaign to enhance brand visibility and awareness globally. We launched this campaign last week ahead of the Miami Formula One Grand Prix, with large out-of-home billboards at airports and additional digital advertising. The campaign is centred around our vision to become the leading digital workplace company. Our solutions support employees in their workplace, no matter in which company, which industry, which job, whether we talk about IT helpdesk, people, nurses, race car drivers, field service technicians, product designers, or warehouse workers. They have different tasks and responsibilities, but all of them benefit from TeamViewer's solutions, as we enable digitalisation, enhancement, and automation of their daily work processes.

The result for companies across verticals is increased customer and employee satisfaction, reduced machine downtime, time and cost savings, faster onboarding of new colleagues, overall higher productivity. This campaign will run throughout the year and include a broad variety of channels and placements. We are looking forward to this new campaign and are very confident it will further shape our positioning as a vendor of innovative digital workplace solutions for SMB and Enterprise customers across regions. And with this, I would like to hand over to Michael for the financial overview. Thank you.

Michael Wilkens

Thank you, Oliver, and good morning, everyone. Let us now have a look at our financials for the first quarter of 2025. If we go to the next slide, please. Given the macroeconomic uncertainties, I am pleased to report that TeamViewer had a good start into the year. Revenue and ARR were each up 7% in constant currency year-over-year. At €190 million, revenue was slightly above our expectations, supported by good inflow from Frontline deals. ARR reached almost €760 million. This was driven by a strong double-digit ARR growth of our Enterprise business, which was up 20% in constant currency, and reached €224 million. Supported by 1E, Enterprise NRR improved to 103% in the quarter, and adjusted for net upsells from SMB customers to Enterprise, the NRR reached very good 108%.

Looking at our profitability on the right, we can see a significant adjusted EBITDA growth of 20% year-over-year to around €82 million. Our margin expanded by 4 percentage points year-over-year to 43%. Our profitability has benefited from optimised marketing spend, despite the dilution from 1E's profitability in the consolidation. Pro forma adjusted basic EPS reached €0.29, which is an increase of 30% over TeamViewer standalone in the prior year. And I am pleased to share that we improved our net leverage ratio to 3.1 times, down from 3.2 times at closing end of January. Now, let's dive into the details of our results. Next slide, please.

The first quarter marked a good start into the year, with continued strong revenue and ARR growth and strong profitability. Q1 pro forma revenue was up 7% year-over-year. TeamViewer standalone revenue was €172 million, up 7% in constant currency year-over-year, which was mainly driven by enterprise and frontline deals. As we have seen in Q4, there was, again, good traction from frontline deals. Q1 revenue exceeded our expectations due to revenue phasing from Frontline. 1E standalone delivered double-digit revenue growth and reached pro forma €18 million on the back of high-value deals from the previous year. ARR also grew by 7% in constant currency on the back of successful up- and cross-sell motions in all regions in Enterprise. Considering the challenging macro, this is a very solid result. Pro forma adjusted EBITA reached €82 million in Q1, up 20% year-over-year. And as I already explained, we generated a strong adjusted EBITDA margin of 43% in the first quarter.

Let us continue with our enterprise business on slide 15, please. Enterprise consistently delivered strong performance, with double-digit growth in both ARR and revenue. Pro forma revenue amounted to €60 million in Q1, an increase of 21% year-over-year in constant currency. Next to 1E's year-over-year revenue growth, revenue inflow was also strongly supported by Frontline projects in the quarter. Please keep in mind that historic quarterly 2024 growth rates shown in these charts reflect TeamViewer standalone, while the shown quarterly euro amounts are pro forma. However, even so, you can clearly see the seasonality of our Enterprise business with increased momentum towards year end. Going forward, we expect this trend to become even more pronounced with the growing share of Enterprise in our revenue after the 1E acquisition.

Pro forma Enterprise ARR shows a steady, very strong year-over-year increase of 20% in constant currency in Q1. As a reminder, 1E secured a major high-value deal in the US during Q2 last year. While it is possible that we may land similar high-value deals in the future, it is lumpy, and these deals are not something we can plan for. As a result of tougher comps and phasing, this will impact the year-over-year growth in ARR for Q2. This phasing is totally according to our plan. As I will explain later, we have reiterated our full-year guidance for ARR. Supported by the 1E acquisition, Enterprise net retention rate improved by 3 percentage points compared to TeamViewer standalone in Q4, to 103% in Q1. Adjusted for upsell from SMB customers during the period, Enterprise NRR reached 108%. This slight sequential decrease of the NRR adjusted for net upsell is also due to 1E in the mix, which is an enterprise-focused business and does not have these upsell motions. The absolute amount of net upsell increased by €400,000 quarter-over-quarter, as Oliver pointed out already.

On the top right, we can see Enterprise ASP and the number of Enterprise customers. Both KPIs are now calculated based on ARR. Pro forma enterprise ASP amounted to €44,000 per customer, an increase of 6% year-over-year. The number of Enterprise customers grew by 14% year-over-year, and now amounts to 5,044. Let's now move on to our SMB business on slide 16.

As Oliver already pointed out, in general, the lack of visibility in constantly changing macro dynamics also affect our SMB customer base to some extent. Despite this, the performance of our SMB business was overall solid in the first quarter. On a constant currency basis, pro forma SMB revenue grew by 2% year-over-year to €130 million. SMB ARR grew in line with revenue at 2% in constant currency year-over-year, and amounted to €535 million at the end of the quarter. Pro forma SMB ASP was up 2% year-over-year to €813, supported by some limited price increases in some countries. As with Enterprise, this number is now calculated on ARR. The number of SMB customers was 658,000 at the end of the quarter, which was largely stable year-over-year.

Customer churn, now also based on ARR, is slightly up to 15.3%. This can be attributed to successful free-to-paid campaigns in the prior year quarter, which often lead to higher churn at the end of the subscription period. This quarter, we were less active with free-to-paid campaigns, which in return resulted in less customer inflow at the lower end compared to prior year. We now focus more on improving onboarding and customer retention to better help our customers making the most of our solutions and customising the product to their needs through additional add-ons. Let us now take a look at our cost base on the next slide.

We delivered a strong pro forma adjusted EBITDA margin of 43%, up 4 percentage points year-over-year. This very good development is mainly a result of the optimised marketing spend. Good Frontline revenue inflow also contributed to a slightly better margin than we expected for Q1. Overall, recurring costs remained stable year-over-year, despite our continued investments in growth. Cost of goods sold were 9% of revenue, as we expected, and reflect phasing effects, continued investment in our product platform, and the deployment of Frontline projects. Sales was 9% higher year-over-year, as we hired new sales talent over the last few months, mainly in EMEA and Americas, to support our growth strategy. Sales as a percentage of revenue remained stable at 16%. As Oliver explained, we launched a new brand campaign end of April named Make Work Work Better. As a result, we will see somewhat higher marketing cost in Q2 than in Q1.

R&D expenses were up 7% year-over-year, as we invested in new products and hired new in-house developers. This was offset by a reduced number of external R&D contractors. While G&A costs increased year-over-year due to phasing effects, they remain broadly stable as a percentage of revenue. Other expenses were up as a result of lower proceeds from derivatives. Let us move on to net income and EPS development on slide 18.

Our pro forma adjusted earnings per share amounted to 29 cents in Q1, a significant increase of 30% year-over-year compared to TeamViewer standalone. Please refer to page eight of the earnings press release for details of the pro forma adjusted net income bridge. Main driver for this very strong result is the optimised marketing spend and the 1E contribution in the quarter, which led to an IFRS EBITDA of nearly €67 million, up 26% year-over-year. Total interest expenses almost doubled, as expected, compared to the prior year quarter, and reached €8.6 million in Q1, up €4.4 million year-over-year. Unsurprisingly, the reason for this was the financing of the 1E transaction. At the same time, share count was around 5% lower due to continued buybacks during 2024, and further supported EPS growth in the quarter. With this, let's move on to cash flows on slide 19.

Adjusted for non-recurring cash flow items, levered free cash flow amounted to €44.5 million in Q1, up 10% year-over-year. This resulted in a solid cash conversion of 54% in the quarter. For the full year 2025, we expect this cash conversion rate to remain around 70%. Cash flow for Q1 includes 1E's contribution from February and March, and was impacted by two special effects. Firstly, there was non-recurring cash out of €6.1 million related to the acquisition of 1E. For the full year 2025, we expect this impact to equal around €17 million, as previously said. Secondly, we achieved a settlement in long-standing legal disputes, which resulted in a one-off payment of €11.6 million in the quarter.

In addition, we recorded higher working capital, as well as higher interest payments in relation to the acquisition of 1E in Q1. This was partly offset by optimised marketing and lower tax payments due to refunds. Let me remind you that for full-year 2025, we will see in total a positive one-time cash effect of around €20 million from earlier changes in our tax scheme. This brings the applicable cash tax rate to low 20s in 2025, and as of 2026, the cash tax will be in line with the P&L tax rate. I will now give you a short update to our financing on slide 20.

We are progressing in line with our deleveraging targets subsequent to the acquisition of 1E. We have improved our pro forma leverage ratio to 3.1 times, only two months after the acquisition closed at the end of January. Cash and cash equivalents amounted to around €134 million at the end of the quarter. CapEx and the acquisition costs for 1E of €668 million were balanced by our operating free cash flow of €38 million and borrowings of €720 million. As a result, financial liabilities amounted to €1.2 billion and net financial liabilities to €1 billion at the end of Q1.

While 1E related financing has not changed, we were able to further reduce interest rates by rounded 10 basis points to 3.9%. In addition, we achieved an interest hedge ratio of over 70% and €450 million in new interest rate hedges, to reduce the volatility of interest cash flow and interest results. Supported by our strong cash profile and cash conversion, along with our clear commitment to disciplined capital allocation, this positions us well in the current volatile macro environment and will help us to achieve our leverage target of around 2.6 times by the end of 2025, and below two times by the end of 2026. Let us continue with our financial guidance on the next slide.

Let me summarise. The quarter was a good start into the year, and we achieved year-over-year growth in pro forma ARR revenue and adjusted EBITDA, a notable result in the current volatile and less predictable macroeconomic climate. We expanded our profitability by 4 percentage points year-over-year and delivered a strong pro forma adjusted EBITDA margin of 43%, slightly above our expectations. We recognise that we operate in an environment with increased macroeconomic uncertainties and reduced visibility. Whilst being cautious, we reiterate our pro forma full-year 2025 guidance. For the full year 2025, we anticipate continued top line growth on a pro forma and like-for-like basis, as outlined in the table. We expect ARR between €815 and €840 million, which is between 7.5% and 10.8% growth in ARR year-over-year. We expect a full-year pro forma revenue between €778 and €797 million. This translates to between 5.1% and 7.7% year-over-year revenue growth.

Let me remind you that our full-year guidance is based on a euro-to-dollar exchange rate of 1.05. If we would calculate the ranges on today's euro-dollar FX rate of 1.14, this would reduce our guided ARR range by around €18 million and the revenue range by low teens of millions of euros. As explained, Q1 revenue exceeded our expectations due to revenue phasing from Frontline. Therefore, when it comes to indicative revenue phasing this year, for the first half of 2025, we continue to anticipate revenues of at least €374 million, as indicated in February. For the second half of 2025, we maintain our expectation of at least €404 million in revenue. We expect pro forma adjusted EBITDA margin of around 43% in full year of 2025. We currently expect a broadly stable trend every quarter during the year, between 42 to 44%, with a slight uptick in the second half due to higher revenue.

With this, I would like to hand back to the operator to open for Q&A.

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 and one on their touch-tone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use only handsets while asking a question. Anyone who has a question may press star one at this time. One moment for the first question, please.

The first question comes from Alice Jennings from Barclays. Please go ahead.

Alice Jennings: Hi. Good morning. Thank you for taking my question. If I could first just ask a question on the outlook for Q2. Thinking about what you're seeing in April, in terms of any changes in client behaviour, do you expect to see a headwind from macro in Q2? And then also thinking about the headwind to ARR growth from the large 1E deal last year, how much of an impact do you expect this to have? And considering these factors, do you expect Q2 to be in line or perhaps slightly softer than Q1? And is there anything else that we should consider there?

And then just a second question, thinking about the launch of DEX Essentials. What's the rough magnitude of pricing uplift that we can expect there for a TeamViewer Remote or a Tensor customer? Thank you.

Michael Wilkens: Thank you, Alice. Let me start with the first one. First of all, we are just getting April in, and it's really too early to quote anything with regard to Q2. Of course, we see, as everybody, cautious behaviour on the customer end across the regions and across the segments of SMB and Enterprise. But I would call it so far, so good, with a little bit longer sales cycles, but we are on top of all of the relevant deals. So, we are working with that. And of course, June is the decisive month for Q2.

Oliver Steil: DEX Essentials, we launched it yesterday. This is an add-on module, but as I said before, we will continue to launch it. This is a second step in a series of launches. Stay tuned over the next weeks. And then also, the pricing and the offering will be out in the market. We only have an early access programme at the moment, so it's not a commercial launch yet, and therefore, pricing is going to come relatively soon. As you can imagine, it's a very valuable feature because it's an automation for our customers, so there will be a meaningful uplift to a normal TeamViewer license. But more details to come over the next weeks.

Alice Jennings — Thank you very much.

Operator — The next question comes from George Webb from Morgan Stanley. Please go ahead.

George Webb — Hi. Morning, Oliver. Morning, Michael. A few questions from my side, please. Firstly, just back on the DEX Essentials, particularly for those smaller customers. What's the sales approach there? Because a small business is probably still not familiar with what DEX is. Is this a webinar-based marketing approach, or what's the way you scale adoption of that solution in as light cost a way as possible?

Secondly, just on the marketing spend, now we've run the size of that deal much lower. When we think about this full year, how should we think about the different buckets of spend you now have going on within your marketing line between search-based spend versus other categories? That would be interesting.

And then just lastly, on cash conversion, when we think about the full year and beyond, what's the sorts of ranges we should be looking at? Thank you.

Michael Wilkens — I'll start with the last one, cash conversion. George, thank you, by the way. First of all, right now, you saw the 54%, and we are totally convinced to have the full year in the vicinity of 70%, which gives also a clear indication on the strength of our strong cash profile. You know that because of the multi-year deals for 2026, we think we are rather in the vicinity of 62 to 65, but that is mentioned already, so no change.

Oliver Steil — On DEX Essentials and what's more to come. Clearly, this is targeted on SMB. As you know, our SMB engine is all about the marketing front, so digital marketing, and it's about e-commerce conversion. And it's about a very powerful and capable inside sales team, which is very sizeable and it covers our customers globally. The go-to-market approach for the products around this will be very much, as you describe, digital teasing. Then there will be webinars or sales trials on the web shop, and then our inside salespeople. And then the nature of it, obviously, is to make it so easy to deploy that also smaller customers and smaller teams with less resources can deploy the key essentials of it.

As you rightly point out, if you talk to a smaller SMB, then probably the concept of DEX might not be as familiar. That's why, in our marketing approach, we basically use interchangeably DEX, digital workplace enablement, and also automated endpoint management. And one of them is clearly something which resonates with different customer segments of different industries. That's how we go about it. And clearly, as we all know, customers in general want less agents, less tools. There's a consolidation towards platform play. We believe we are incredibly well positioned for that, and that will also be the whole, I would say, notion of the marketing concept is to consolidate functionalities onto one platform, together with our remote control and access solution. That's how we work.

Then you had a very specific question on marketing spend. That's nothing we want to disclose in more detail than we do it. The combination of significant awareness building deals, like, for example, the deal with the Mercedes AMG team, to position our brand in the key verticals for the key use cases. And then obviously, we do a mix of digital and non-digital or half digital components, but we don't want to give a quantified split of these different instruments.

Michael Wilkens: Absolutely. It should increase sequentially quarter over quarter, but it's all in what we plan for the entire year. We're just indicating to you a little bit of different seasonality, not more, not less. No worries about margin, also.

George Webb: Got it. Thank you.

Operator: The next question comes from Ben Castillo-Bernaus from BNP Paribas Exane. Please go ahead.

Ben Castillo-Bernaus: Morning, folks. Thanks for having me on. Two for me, please. Firstly, just on the 1E standalone performance, up 12% constant currency, guiding for the year more closer to 20%. I know you mentioned you lapped some large deals in Q1, you also mentioned there's another one to come in Q2. The first part is, should we anticipate that the 1E standalone growth decelerates from that 12% into Q2? And then secondly, regardless of where that shakes out, I think it would imply quite an acceleration in H2 for 1E to get towards the guidance area. Just helping us, what's underpinning the confidence in that?

And then the second follow-up question was just around the special legal disputes impacting cash flow. I think you said it's settled. Can you just comment on what that was and if you expect any further cash charge to come in the year? Thank you.

Michael Wilkens: Thank you, Ben. Let me start with the last question on the settlement. Actually, that is a big relief for us. I start with the most important part. We don't expect anything else to come. Actually, we know that there's nothing else to come. And this is why it's a relief. I think by the end, by the way, for both parties, the settlement was a big help for us. And you see that there's hardly any impact on the P&L, which means we were catering for that over all these years. We are just now finally out of, sorry for my French, the shit out of the balance sheet. And from now on, we can focus on the real business. It's only the cash impact, and this is why we also position that right up front pretty clear.

Oliver Steil

1E’s standalone performance, yes, it's exactly as you say. We're lapping some large deals on this on year-over-year growth. And the 1E part of the pipeline, both for 1E, honestly, and also for TeamViewer over the last years, because you know and as you've seen in the second half of the year, and mostly also Q4, very clearly. I think, honestly, even in the current environment, it's probably even more pronounced with the uncertainty out there in the market. I wouldn't expect any major improvement in Q2.

On the contrary, yes, 1E standalone, there has been a very big deal in Q2 last year, which will be the anniversary. And while that deal is secured, for the most part of it, it's a very tough comp to grow on top of it. I would see on the 1E side, really not an acceleration in Q2. That does imply an acceleration in H2, 100%, which is what we have seen and what we have been managing over the last years consistently. That's just the nature of the Enterprise portion of the business.

Ben Castillo-Bernaus

Thank you.

Operator

The next question comes from Mohammed Moawalla from Goldman Sachs. Please go ahead.

Mohammed Moawalla

Great. Thank you. Morning, Oliver. Morning, Michael. I had a couple. Firstly, you obviously sound pretty cautious around the environment. Could you give us a sense around the full-year guide? Do you feel that perhaps the lower end of the guide is a more reasonable assumption at this stage?

And more specifically, on Q2, should we expect ARR potentially a risk of a deceleration further and then a very strong H2? I know you've also got, obviously, the Enterprise business is very seasonal and H2 weighted. I also wanted to understand against the macro all the levers you have. You've obviously got campaigns on the SMB side, you've got some new product introductions, and then there's obviously the whole 1E cross-sell, up-sell motion.

And my second question was really around 1E. Could you give us a sense of what the ARR growth looks like in the context of the 12% top line? And how should we anticipate that second half reacceleration? And do you have any specific exposure to US federal, both in the 1E business or in the TeamViewer business, that could be a potential headwind as well to navigate? Thank you so much.

Michael Wilkens: Let me start maybe at the end. First off, ARR is not separately disclosed, only revenue, and we should stick to that. We disclose almost everything, number one. Number two, on federal business, it's a low double-digit million number. Rough cuts, 10 to 11 million, so to say. The share overall is, of course, in 1E higher, rough cut 20%, overall in the total business, rough cut 4 to 5%. If you take combined, that's the overall business sector, so to say.

And with regard to your first question, Oliver is maybe taking the middle one, with regard to are we trending rather towards the lower end of the guidance? Really not at this point. This is why we gave a range of the guidance at the beginning of the year for the full year. And we had a really good start into the year with Q1. Of course, Q2 is important, and the macro turmoil only started at the end of Q1 or at the beginning of Q2. And we don't see major effects yet in April. So far too early to call either victory or defeat. And then you had one more on campaigning and other elements.

Mohammed Moawalla: How do you think of the effect of those over the course of the year. Is it more pronounced in the second half?

Oliver Steil: The integration started beginning of this year, effectively. There's quite some stuff in the pipeline in terms of product integrations already for the SMB side, so we'll be able to market it in full swing in a few weeks' time, as I mentioned. Naturally, then there is pipeline build, sales cycles for the entry level Enterprise, but mostly for SMB. There's a lot of in-year pipeline build and conversion. And typically a sales cycle is one to three months or so, so that's clearly second half of the year.

On the Enterprise side, cross-sell, we have enabled all the teams. They are talking to customers. We have been out at events. There's good pipeline build, especially in EMEA and America on cross-selling. APAC not yet, because we don't have a dedicated team yet. We only ramp there because 1E didn't have business there. And clearly, the pipeline, if you look at the majority of the pipeline that we're building, these are Q4 deals. And hence, we do expect a significant acceleration in the second half of the year, as we've seen with TeamViewer standalone before 1E standalone. And the cross-sell obviously even more so, because we only started throughout this year. From that perspective, on an ARR development, Q2 will clearly be the most difficult one.

Mohammed Moawalla: And can I just clarify on the overall ARR, the 7% that you've done, is that still a level you can maintain as you go into… And appreciate it's come down to how the month of June also evolves. Or is there a risk that perhaps that decelerates a bit before we see that big reacceleration in H2? Thank you.

Michael Wilkens: For Q2, as you mentioned, because of this big VA deal, we should not expect an acceleration of the ARR. It's rather for the second half of the year. This is why we also address this proactively. It would be rather a little bit more muted versus Q1, but then from then on, it will grow.

Mohammed Moawalla: Got it. Thank you very much.

Operator: Then the next question comes from Victor Cheng from Bank of America. Please go ahead.

Victor Cheng: Hi. Thanks for taking my questions. They've been asked already. But if I could go back to the point on the guidance and the macro assumptions, obviously, you're thinking that you're probably not trending towards the lower end of the guidance right now, but can you give us some colour on how you think about the range? Maybe on the lower end, is it maybe worse macro situation that you're thinking about? And then is that layering on top of maybe, more slipped type of pipelines and deals? And on the top end as well, what do you need to achieve to get there?

Oliver Steil: Honestly, I think it's a bit crystal balling. We've reiterated the guidance because we believe that the range that we have put out there at the time was reasonable. I think we had all thought, at least from my side, at the end of Q4, that things would open up a little bit. And the year started first few weeks more promising, but then it turned very, very quickly. And I think our guidance, the bookends of the guidance range, were already anticipating that when we put it out there. A worsening macro, we had the lower end. And if things are opening up and we see traction on cross-sell, to some extent towards the end of the year, then it would be upper end of the guide. I don't think that has fundamentally changed.

What we are not so happy with is that the macro sentiment has changed to the negative. What we are happy with is the speed of integration on the product side and how quickly we are able to add capabilities and functionalities towards the SMB segment for the SMB segment, so that's faster than we thought. And also the pipeline build, the cross-sell pipeline builds on Enterprise works well. And therefore, in the end, if we look at our own operational performance and what we have under control internally, we are happy with the integration. Macro, we haven't. I think the combination is getting us to a guidance range which is still as it was last year. Now with different components and drivers, but the outcome is effectively the same for now.

Michael Wilkens: As Oliver also explained in this presentation, right now we are really firing on all cylinders, be it fairs, be it tradeshows, be it speaker slots, wherever. Plus all the campaigning we

	mentioned, this is across all segments right now, Enterprise and SMB. And we see also pipeline developing, we have big deals there. And in the end, it's very difficult to predict, as Oliver said, what the customers will finally do. But we are firing.
Victor Cheng	Got it. Very clear. Thank you.
Operator	And the next question comes from Toby Ogg from JP Morgan. Please go ahead.
Toby Ogg	Hi. Morning. And thanks for the question. Just wanted to come back on just on 1E for Q2. I know you indicated we shouldn't expect an acceleration there in Q2 because of the tough comp. But just thinking about the range of outcomes here, is there a lower line in the sand that we can think about in terms of growth for 1E in Q2, given that tougher comp?
	And then just on the SMB segment, specifically. When do you think we should expect or start to expect to see a reacceleration in that part of the business? Thank you.
Michael Wilkens	Let me take the second question first. SMB, as Oliver mentioned, now with all what we do, DEX Essentials, first tests are out. The campaign we launched in mid of May. Too early to believe that something will already kick in, in Q2. But first signs, of course, we all hope for that, should be seen in Q3 and then accelerate from there. This is at least what we are up here as a team, and stay tuned.
Oliver Steil	And the first question, 1E standalone ARR Q2, I think it's the third time hearing the question now, appreciate the attempt, but we will not call that out. Q2 is important in some markets, regions. This is the year of fiscal year-end for many companies. We have the moving parts in the US, the federal government and overall sentiment. And therefore, let us take the next seven weeks, push hard, and then come with the results. This one is hard to predict at this point in time. And obviously, we don't see any meaningful disaster scenario also coming ahead of us, but I also don't want to give a number.
Toby Ogg	Understood. Thank you.
Operator	Ladies and gentlemen, this was the last question. I would now like to turn the conference back over to Oliver Steil for any closing remarks.
Oliver Steil	Thank you for your question. Thank you for joining and speak to you soon. And stay tuned, out there in the market with our products and marketing releases, there's stuff to come. Talk later. Thank you. Bye-bye.
Michael Wilkens	Thank you.