

TeamViewer SE

Announcement of Acquisition of 1E
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Transcript

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Good morning, ladies and gentlemen, and welcome to our webcast about our announcement to buy 1E, a leader in digital employee experience management tools. I am Bisera Grubestic, VP IR at TeamViewer, and today, I am joined by our CEO, Oliver, and CFO, Michael, who will walk you through the acquisition rationale and the transaction details.

We are pleased to have Mark Banfield with us today, who will share a few words during the presentation. Mark is CEO at 1E, and today, we also announce that he will become a member of our management board and act as Chief Commercial Officer of the group after closing of the transaction.

The presentation will conclude with a Q&A session with Oliver and Michael. And moving to the next page, please note that you can find the important notice and the APM disclosure on slide two. And with that, I hand it over to Oliver to kick off our presentation.

Oliver Steil

Thank you, Bisera. Good morning, everyone. Warm welcome from my side. Thank you for joining our webcast on short notice. Today, we are very excited to announce an agreement to buy 1E, a leader in digital employee experience, also called DEX management tools.

Essentially, DEX software manages and observes endpoints in real time, enhancing productivity and satisfaction and reducing IT tickets. DEX solutions provide better visibility across devices, applications and networks. This transformational acquisition will create an industry-leading player for digital workplace management.

We believe there is a highly compelling strategic rationale for this acquisition. We will combine two category leaders with a very strong product fit. There is significant opportunity to expand our total addressable market and accelerate enterprise growth. And we see significant cross-selling and synergy potential, which we will tell you about in more detail later.

The combination has an attractive, enhanced financial profile. Combined revenue growth will accelerate. Pro forma-adjusted EPS is expected to be neutral in the first year, and cash conversion remains strong.

We will maintain our disciplined capital allocation policy. Implied transaction ARR multiple equals 9.2 for September 24 and around eight times for the full year 2025. Pro forma net leverage is expected to be around 3.3x after closing, and we expect fast deleveraging to below 2.0x by the end of 2026.

And importantly, there is a fast and clearly defined path to integration, with closing expected in early 2025 and positive work already underway, supported by management continuity, with the additions that we announced today. I will now tell you more about 1E and what its offering will unlock for TeamViewer. Let us look at slide four.

1E offers a leading DEX platform that delivers real-time visibility on enterprise IT landscapes, promptly identifying issues as they arise and automating remediation directly on that endpoint. This minimises downtime, disruptions and costs, as well as enhances overall IT performance, employee experience and satisfaction.

If you look at 1E's key product, the functionalities include, number one, remediation. Given 1E's edge architecture, response times to remediate issues are real-time. Issues get identified and resolved without the need for intervention by user or IT staff.

Second, observability. Advanced and real-time monitoring and analytics across the full IT stack for endpoints, including hardware status, network connectivity, foundational software and applications. 1E's software will detect anomalies and predict potential issues before they even exist.

Thirdly, automation. 1E's software has automation capabilities, which will help predict and fix issues even before they occur. We collectively believe that AI will push this automation to greater prominence in the years to come. It's worth noting that the customer feedback on 1E is very strong, in particular around its real-time product features.

Let me now explain 1E's positioning in the DEX landscape on slide five. DEX is an established category, and as you can see on the left chart, 1E was named a leader in the 2024 Gartner Magic Quadrant for digital employee experience management tools. 1E scored in the top half of vendors for all use cases. Gartner also names 1E as having the second-largest global market share in this category. Next slide, please.

1E has a very strong and loyal US-centric enterprise customer base. One-third of the Fortune 100 use 1E services. This is very impressive. Its strong customer base includes a long list of large blue-chip companies across different sectors, amongst them Adidas, Nike, Schneider Electric, Novartis, as you can see on the slide. The acquisition of 1E accelerates TeamViewer's enterprise growth, expanding its customer base and enhancing its ability to serve major global organisations. Let's now have a

look at a few relevant KPIs of 1E on slide seven.

1E has a strong financial profile and a mostly enterprise-focused customer base. 1E's September 24 ARR was USD \$77 million, and it grew 26% year over year. And it has also a very strong net retention rate of 113%. The company serves around 290 customers, of which 80% are enterprise customers. And these enterprise customers contributed 99% to the ARR. 1E's average ARR per enterprise customer amounts to around USD \$328,000. And this means that the average ARR is significantly higher compared to TeamViewer.

The company reported USD \$69 million in revenue for the last 12 months, ending September 24, with a 26% adjusted EBITDA margin. In addition, 1E contributes 116 R&D FTEs, bringing the total to 631 FTEs in our combined product and technology group.

And as I mentioned at the start, we are very pleased to welcome the CEO of 1E, Mark Banfield, to the group. And we would like to introduce him. He's here with us today. Mark, could you share a few introductory remarks?

Mark Banfield

Sure. Thank you, Oliver. Good morning, everyone. It's great to be here with you today. I joined 1E in 2021, and I'm very proud of what we have achieved as a team and at the company since. 1E's mission has been to create innovative IT solutions that shape the future of work.

With TeamViewer, we can accelerate that mission by integrating our DEX platform with TeamViewer's world-class connectivity solutions. With truly complementary products and technologies, TeamViewer is the ideal partner to help us scale our offerings and create an intelligent endpoint management leader. I'm absolutely excited to join TeamViewer's management board as we enter this next chapter of our joint growth story.

Oliver Steil

Thank you, Mark. Looking forward to having you on our leadership team. So now, let's walk you through the strategic rationale for this acquisition. Next slide, please.

First of all, this transaction will bring us category leadership across DEX and remote connectivity. As we've just outlined, 1E is a DEX leader. Together with our own category leadership in remote access and support, we believe we can create an industry-leading player for digital workplace management.

Second, we have a strong strategic product fit. You might ask whether one solution is cannibalising the other, but the opposite is true. Our product offerings and technologies are

truly complementary. As you know, TeamViewer offers a full suite of remote connectivity solutions and helps its customers deal with IT issues when they arise.

By adding 1E, we will be able to offer end-to-end solutions through proactive visibility and remediation to help alleviate issues before they even arise. Our products enrich each other and together create a best-of-suite in IT management, leveraging more AI going forward, first for enterprises, and later for SMB as well.

And third, we see significant market expansion opportunities. This acquisition strengthens TeamViewer's position to capture growth in the rapidly growing DEX market, with the potential to extend this concept to the operational technology, so OT space.

By tapping into the DEX market, we believe the combined total addressable market will expand into the multi-billion euros, growing at double digits. This growth will be driven by increased industry adoption and higher spend per endpoint as organisations seek to meet growing digital expectations in a hybrid work environment.

Fourth, we have identified strong revenue synergies. Based on the complementarity of our solutions and customers, we think we are in a strong position to generate cross-sell opportunities and accelerate our enterprise growth. We are particularly enthusiastic about the opportunities to offer more comprehensive solutions to our, so TeamViewer's, nearly 4,500 enterprise customers worldwide.

As we've already said, 1E has a strong enterprise presence in the North American market, and we also expect cross-selling opportunities and geographic expansions into EMEA and APAC. The acquisition also offers the potential for TeamViewer to provide DEX for SMB customers around the world in the medium term.

And this brings me to the final point on this slide. This acquisition results in an enhanced financial profile for TeamViewer. Stronger enterprise will further support a stronger financial profile. We expect to return to double-digit revenue growth, supported by 1E's complementary offerings and customer base, helping us shift our revenue mix towards more enterprise customers and gradually expand profitability.

Let me now explain in more detail why TeamViewer and 1E will be stronger together on slide nine. We have already had the first, very successful exploratory workshops between the TeamViewer and 1E R&D teams. There was a lot of energy

and enthusiasm in the room. We are all now looking forward to delivering on our joint vision.

Together, we aim to develop the intelligent endpoint that eliminates friction from the digital workplace across IT and OT. 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 can create proprietary intelligence on IT/OT anomalies, the resulting friction, and how to resolve problems.

Second, both companies feature unique edge control capabilities. While 1E has strong real-time remediation and automation, we bring 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 more difficult ones.

And third, AI is the key to this acquisition. By combining proprietary intelligence and unique edge control capabilities, we will be able to pioneer groundbreaking agentic AI innovation. A copilot will make experts 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 medium-term 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 synergise the powerful capabilities and modes of both companies to create something new and truly unique. Let's go into more detail about this on slide ten.

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.

And there's more, given that IT is only part of our story. OT is largely blue ocean and presents an equally compelling opportunity. With TeamViewer's global leadership in secure embedded connectivity, smart service for after-sales, and frontline productivity workflows, we are uniquely equipped to benefit from progressing IT/OT conversions.

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 summaries feature for remote IT support sessions will soon be available for our after-sales solution as well, to capture tribal knowledge in the field. This shows we have a clear strategy in place that builds on secular megatrends and a unique positioning at the crossroads of two highly attractive growth engines.

We are taking decisive steps to execute this strategy, and we are excited about the opportunity this brings for our business and our investors. With this, let me hand over to Michael to walk you through the key transaction highlights on slide 11.

Michael Wilkens

Thank you, Oliver, and good morning to everyone. Let us now have a look at the key transaction highlights. First, we agreed to acquire 1E for USD \$720 million, equivalent to €686 million euros, in an all-cash transaction on a cash-free and debt-free basis. This values 1E at an implied ARR multiple of 9.2 for September 2024 and at around eight times for full year 2025.

We execute disciplined capital allocation, in line with our existing policy. Financing will be provided via existing credit lines and new debt instruments. We will update the market after closing, when we have full visibility of the interest rates. At closing, pro forma net leverage is expected to be around 3.3 times adjusted revenue EBITDA.

TeamViewer's business is expected to remain highly cash generative, and we target to reduce net leverage to below two times by the end of full year 2026. As a result, share buyback is unlikely to be considered before full year 2027. As Oliver explained already, 1E has a strong financial profile. They delivered double-digit profitable revenue growth over the past three years, with annual recurring revenue of USD \$77 million as of September 2024.

1E and TeamViewer are both category leaders, with

complementary products. Both are exhibiting a strong Rule of 40, and the acquisition will help accelerate TeamViewer's revenue growth rate. Let me also point out that 99% of 1E's September 2024 ARR came from enterprise customers.

The definite agreement to acquire 1E was signed today, December 10. The transaction is currently expected to close in early 2025, after obtaining all necessary regulatory approvals, and subject to customary closing conditions. The operational integration will be undertaken during 2025.

Management continuity will be ensured in the combination. Not only has the contract of Mei Dent, our CPTO, been extended by another three years, but, as mentioned at the beginning of the call, Mark will be joining our board as CCO, and also, Stephen Tarleton will join our senior leadership team as CMO. Additionally, our dedicated team is focused on realising cross-sell synergies.

And this brings me to the next slide to outline our plan to drive value creation. We see both near-term and long-term opportunities to drive value creation from this acquisition, beyond what either platform could achieve as a standalone company.

First of all, we are combining two truly complementary products. We believe that our value proposition together will create an end-to-end offering for tackling IT issues, covering the full spectrum, from remote expert support to proactive auto-remediation capabilities. And furthermore, we believe that we will be set to create future solutions that will bridge the gap between IT and OT environments to enable seamless remote management across both digital and physical infrastructures.

Second, we will be expanding our footprint globally, particularly in the all-important North American market, and positioning the group to introduce DEX solutions into the regions, EMEA and APAC, driving growth across key international markets.

Third, 1E's acquisition will significantly add to our enterprise sales capabilities and footprint. The combination enables us also to amplify our enterprise transition and enhance our product offering. We believe that there will be positive spillover effects of being able to sell 1E software to our strong SMB customer base in the medium term. Given 1E's enterprise focus, they have not previously tapped into the SMB market's full potential, and we are considering how best to address that incremental set of opportunities.

Then, we are confident about our ability to achieve all this

because of the highly aligned go-to-market strategies, which will now be unified. Driven by customer demand, we see cross-selling opportunities of TeamViewer solutions to 1E customers and vice versa. By creating a unified go-to-market strategy, we will reinforce joint sales effectiveness and enable seamless cross-sell.

Finally, we will be able to leverage 1E's existing partnerships, such as with global systems integrators, resellers, equipment manufacturers and others. Not only will we be able to expand our network, but also accelerate reach through shared partnerships, including ServiceNow and Microsoft. This will allow us to entrench deeper in the IT management ecosystem. Let's now move to slide 13 to talk about our enhanced financial profile. Next slide, please.

We believe that the combination of TeamViewer and 1E positions us to return to double-digit revenue growth while we gradually expand our profitability. On this slide, we have illustrated a few key points. Please consider this slide as indicative and directional, meant to explain the transaction dynamics. As always, you can expect official guidance from us when we publish our Q4 results on 12 February next year.

Here's what we want to show on this slide. We start with TeamViewer's standalone average revenue growth, based on analyst expectations post Q3 results. Then the transaction effects come into play. First, 1E's strong presence in enterprise will naturally shift our combined revenue mix towards more enterprise.

Additionally, if we cautiously add potential preliminary revenue synergies of €10 million in full year 26 and €25 million in 2027, we could return to double-digit revenue growth by the end of full year 27. 1E is expected to add around three percentage points to revenue growth in the mid-term to current analyst estimates. Again, this is all indicative only.

On a pro forma basis, we should see gradually improving profitability. The pro forma adjusted EBITDA margin of around 43% in short term should continue to improve as we see more growth coming through, and return to around 44% mid-term.

To come back to my earlier point, TeamViewer and 1E are already exhibiting a strong Rule of 40, and the acquisition is showcasing that we will continue to expand and move even close to 50 with a continued strong cash flow profile. And on a pro forma basis, the adjusted EPS impact is expected to be broadly neutral in 2025.

Let me make a final accounting remark. Please note that in the 12 months following the closing, the reported IFRS revenue from 1E will be reduced due to IFRS accounting. As with other software transactions, we will write down the deferred revenue balance to its fair value as part of the PPA, which will affect our reported IFRS revenues. This is standard practise in IFRS accounting.

Therefore, we believe it is more appropriate to evaluate the acquisition on a pro forma, non-IFRS basis, excluding the write down of deferred revenues, as this is a non-cash accounting effect. We will provide more details in February 2025. It is also very important to look at ARR. With that, I would like to hand back to Oliver for some concluding remarks.

Oliver Steil

Thank you, Michael. So to conclude, this is a transformational acquisition that will create an industry-leading player for digital workplace management. It will bring together TeamViewer and 1E, two category leaders with complementary offerings and technologies and a huge potential for cross-selling synergies and accelerated growth.

We believe we can deliver an attractive enhanced financial profile while maintaining our capital allocation policy and moving fast to integration. We really can't wait to get started. And now, I would like to hand it back to the operator to open the Q&A.

Operator

We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. You will hear a tone to confirm that you have entered a 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 and one at this time. The first question comes from Gustav Froberg from Bernberg. Please go ahead.

Gustav Froberg

Good morning, everyone. Thank you for taking my questions. I have a few, but I'll limit myself to three to start. Firstly, could you talk us through the history of growth, top line growth, at 1E, please? And since the acquisition by Carlyle, have there been any acquisitions made at the company? Or in another way of asking the same question, what has the split been between organic and inorganic growth at 1E?

Then a question on subscription and other revenue line items. Are all revenues at 1E subscriptions, or are there any other revenue contributors? And then my third and last one,

how have you calculated the revenue synergies? Could you walk us through the €10 million and €25 million numbers, please?

Michael Wilkens

Yes, let me start with the split of the revenues, Gustav. Good morning, first of all. So it's, rough cut, 90% revenue from subscription, and the remaining 9%, rough cut, is from maintenance. A little bit is in consulting. That was one. With regard to acquisitions within 1E, there was a minor acquisition just recently in October. I think the contribution of that acquisition is 1.4 million. But from the revenue growth, which you were asking for the remaining last three years, I think it's in the vicinity above 10%. But this year, it's 26% to September.

Oliver Steil

So strong grower, strong history of organic growth in 1E. Then maybe last one, revenue synergies. We had an external advisor, Alvarez, to work with us diligently on the analysis of the customer base of 1E and obviously also our own, which we know, and then identify revenue synergies on cross-sell in both directions, so for enterprise and potentially medium term, as Michael said, also for SMB, looking at the different products and assessing those.

And the basis for the revenues was then a cautious estimate or a cautious assumption, I should say, on the most direct revenue synergies, which is taking the 1E product portfolio and sell it, propose it to the 4,500 TeamViewer enterprise customers. That's obviously a very large customer base, global customer base, in comparison to a much smaller customer base of 1E with much bigger ticket sizes.

There's also the other way around, vice versa, which is positioning the TeamViewer remote connectivity platform to 1E customers, but that's obviously a smaller number. So that was the basis for straightforward revenue synergies. And then in the plan that Michael just showed, where we showed €10 million in 2026 and €25 million in 2027, we took a cautious approach to take the most straightforward synergies.

Gustav Froberg

Thank you. I'll jump back in the queue for now.

Operator

The next question comes from Fon Udomsilpa from RBC. Please go ahead.

Fon Udomsilpa

Good morning. Thank you for taking my questions. Just a few from me, please. The first one, it would be great if you could provide us some additional colour around 1E's customers. For example, there seem to be customers from across industries, but are there any segments that you do believe are underrepresented in the portfolio? Or are there

any group of TeamViewer customers that the sales team will be focussing on cross-selling the product to?

And the second question is around potential synergy on cost, and how should we think about that? Thank you.

Oliver Steil

I think best is if, on the 1E customers, I think, it's the expert to talk about it. So I hand over to Mark to answer that one, and then I'll take the rest.

Mark Banfield

Oh, thank you. Yes, we're, as we've been talking about, very, very strong in enterprise. Key verticals for us, or the biggest verticals, are financial services are very strong. US government is very strong. We just announced recently that we are supporting FedRAMP, and we will support FedRAMP from Q1 next year. So federal is very strong for us. Healthcare is a strong vertical, retail and tech. Those are the key verticals for us.

Oliver Steil

And if you compare to TeamViewer, our edge TeamViewer remote connectivity platform, as we always said, it's at the IT/OT conversion. So naturally, we have a stronger focus on, say, non-financial services, non-banking, non-insurance, although we have some of the largest customers in this space as well. But from a segment coverage, I think it's nice complementarity here as well. And obviously, those are the customers you would then address also when you go for revenue synergies.

And then in the longer term, we also believe that OT devices, frontline worker devices will be a very interesting place to run DEX on, because that's an even more heterogeneous and even more complex environment where even more friction happens.

And then second part, everything we put into our plan are revenue synergies. This is not a cost synergy case. We clearly are very, very happy to bring the entire team of 1E on board. We get complimentary locations, geo footprint, R&D resources, marketing, go-to-market. So this will really be...

Fon Udomsilpa

Very helpful, thank you.

Oliver Steil

An add-on play and not a cost play.

Operator

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

Alice Jennings

Hi, good morning. Thank you for the presentation and thanks for taking my question. Just firstly, would you be able to elaborate a bit on the growth algorithm of 1E, and specifically why growth has accelerated to 26% in the year to September compared to more than 10% typically in prior

years?

So firstly, on the net retention rate, it's been 113%. Is this a level that you think is sustainable for the coming years? And how would you fit this NRR into churn pricing and upselling? And then also looking at the percentage of growth that's typically come from new sales versus existing, do you expect this to remain stable at this level?

Oliver Steil

Let me start, and then Mark will add to it. I think growth algorithms, our view of the thing is DEX is a category that is not that old, to be honest. I think we have seen that there's more IT usage, there's ever more devices out there, there's more heterogeneous infrastructures and there is more hybrid work environments and more application usage.

With all these more that I was just describing, having an almost quality insurance piece in there, which monitors, tracks, observes what's going on at an endpoint and tries to reduce friction, is becoming more and more important. And therefore, I think with the evolution of these infrastructures and environments over the last years and the focus on digital employee experience, I think growth has been accelerating, with the market being more aware and the market developing.

I think it's a very nice piece of Gartner on this segment and why it's important. And many companies, I think, are trying to move in this direction and improving their offering in this space. But you have to be an expert and have the expertise on client handling, device handling, with the right infrastructure. So I think there's underlying secular market trends that drive growth there, and I think you see that acceleration.

And from our perspective, and that's what we like so much about 1E, is if you watch the company and the history over the last years, I think the development of the offering and targeting the offering for DEX requirements and remediation opportunities and real-time healing, so to say, has become better and better and better. And therefore, the position has become stronger, and that has been driving growth.

Net retention rate from our perspective, 113% is very strong, as you also point out. I think that's an enterprise net retention rate which you probably would want to see. I think people typically talk about 107% plus. TeamViewer standalone, we are slightly below that, improving. But I think in that sense, 1E is a very good example of best practise enterprise net retention rate.

And then the mix of how much is new sales, how is the

retention rate going to evolve on a standalone basis, I'll probably let Mark give a bit of colour on that one.

Mark Banfield

Yes. We have, as you'd expect, a fairly sophisticated enterprise go-to-market motion, targeting both new logos as well as expansion within existing customers that we sell to. We have quite a broad portfolio of capabilities in the platform. So it allows us to land and expand and actually grow the revenue from customers once we're into the customer.

So broadly speaking, in the last couple of years, there's been a higher percentage of expansion from existing customers, but a steady increase in new logos. And I think now we can expect a continued acceleration in new logos because obviously we have the TeamViewer customer base that we can sell into, most of which are new logos for us.

Alice Jennings

Great. Thank you very much.

Operator

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

Ben Castillo-Bernaus

Good morning, folks. Thanks for taking my questions. Could you just help me just expand a bit on the go-to-market model for 1E? So just give us a sense of the split between what's being sold direct through the channel and through those technical partnerships. And how does that impact your own TeamViewer current enterprise go-to-market plans as far as the balance between using a channel and selling direct?

And then a follow-up question just around the ticket size. I think you mentioned \$328,000 average ticket size, which sounds quite impressive. Just wondering, what are the drivers of that? What is a typical land ticket like, and how do we get up to that \$300,000? Where's the typical entry point? Thank you.

Mark Banfield

Yes, I'll take the first question, so the go-to-market motion. We have a direct sales team targeting named accounts, mostly North America, but have some people in Europe as well. And we sell direct as well as through channel.

Now, with regards to channel, we work with global system integrators who very often have the digital workplace capabilities outsourced to them by the enterprise. So in some cases, we're selling through a global system integrator. In many cases, we're selling direct, and perhaps often working in partnership with system integrators. So the majority of the business is direct, though, into the enterprise, and a smaller percentage is indirect.

Oliver Steil

Yes, and that's where one of the key synergies are, because

if you look at TeamViewer, we have invested, years ago, significantly into an enterprise direct sales force, as you know us. I think we have around 120 or so globally direct, that addresses enterprises which are, as we said, not running at full productivity and capacity.

So adding a new product suite, which is super-modern, enterprise-ready, on top of our great Tensor proposition just gives our enterprise seller, as TeamViewer, a bigger basket now. And therefore, the synergy is really effectively expanding the sales team of 1E, if you want to think about it, think about 1E sales team as an expert overlay for DEX products, and then leveraging that into the TeamViewer enterprise sales force.

I don't think that will materially change our sales mix going forward. Yes, we will sell through partners, as we also sell through partners today. And that's an ecosystem play. So that will happen depending on customer situation. But I think in general, a very, very nice and straightforward, complimentary sales footprint.

Ben Castillo-Bernaus

Great, thank you.

Operator

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

George Webb

Hi, good morning. Congratulations on announcing the deal. Just a couple of muff-up questions on my side. First of all, apologies if I missed it, do you have any sense today on the extent of the overlap there is between the 1E customer footprint and the perhaps TeamViewer customer base which is already using IT solutions? And then secondly, just on the EBITDA margin, 26%, is there any significant stock comp below the line on 1E? And I guess, what would the margin be below that? Thank you.

Oliver Steil

As a customer overlap, if I start first, very small. There is a few customers, but you can almost count them, that have both solutions. But the key attraction is that we have 4,500 enterprise customers, and 290 on the other side, with a very small overlap. So the cross-sell in each direction can actually be very, very strong. And that was part of the attraction here. So if you turn it around and say, do you see significant dyssynergies or any dyssynergies on the go-to-market customer side, which you typically have in lots of transactions, that's not the case. I'm not sure we really understood your EBITDA...

Michael Wilkens

I got it.

Oliver Steil

Michael, yes.

Michael Wilkens I hope I got it.

Oliver Steil Yes.

Michael Wilkens Otherwise, please, George, correct. So the 26% is according to our definition. So we redefined the accounts of 1E.

George Webb Okay, clear. And sorry, just one final one. I guess, if we think around the TeamViewer remote core, there's been those efforts to make some other solution areas over the number of years. Mobile device management would be one of those areas. Are you expecting to make any changes to how you think about the overall product set and maybe use some of 1E's solutions on some of those adjacencies? Or are you expecting just to be purely over the top with everything you've already got?

Oliver Steil Great question. First of all, DEX in itself is a category and an offering which is observability, remediation, automation and using AI. And I think first and foremost, that's what we are interested in now here, to develop that category leadership, continue the category leadership, and drive the adoption of this, first in the North American market, but then rolling it out globally. So that's clearly priority number one.

But what is true is that we will gain capabilities and almost... Not almost, sorry, capabilities, development capabilities, domain expertise and also vision and innovation around device management, RMM and adjacent areas. And as you rightly point out, we have adjacencies for cross-sell, but clearly now we have a large group of new colleagues being super experts in this. And I wouldn't be surprised, if I put it cautiously, that we rethink one or the other proposition and go-to-market model based on the great new capability set that we now have in-house.

George Webb That's helpful, thank you.

Operator The next question comes from Toby Ogg from JP Morgan. Please go ahead.

Toby Ogg Yes, hey, morning, and thanks for the questions. Perhaps just on the revenue growth profile here. So you've talked about the potential for the combined revenue growth to accelerate to double-digit, and talked about 1E adding around three points to the revenue growth over the mid-term.

So could you perhaps just unpack the drivers of that three-point uplift between, I guess, uplift to growth from the pro forma effect of having 1E's faster-growing revenues in the mix, versus any underlying acceleration in growth across

standalone TeamViewer and standalone 1E from the transaction?

And then just also just thinking about the revenue growth path from here as well, you've indicated double-digit by the end of FY27. So does that mean FY28 will be the first full year of double-digit growth, with more of an exit in FY27? And if so, how do we think about the shape of the revenue growth path between 25, 26, 27 and then 28? Thank you.

Michael Wilkens

Yes, thanks, Toby. So there are two main drivers, first of all, to unpack the levers. One is, of course, the add-on because of 1E, and the other one is the mentioned €10 million and €25 million of initial synergies in 26 and 27 that would indeed bring us, and this is indicative and it's high-level, a first estimation, to this growth profile indeed to the end of 2027.

Of course, Oliver also said in the beginning, this is a cautious evaluation at that point. So please bear with this one. And then the rest will, of course, then come when we give an update of our guidance for 2025. I think, Oliver, also some more points?

Oliver Steil

Full year 27 just to close it. So full year 27 would be close to or at double-digit, yes. So the way is relatively simple. If you look at how the market is seeing TeamViewer's standalone growth profile at the moment... So this is the conceptual framework, and that's why we call it indicative, because there's no guidance, there's no mid-term plan, as you know.

So you take the current outside analyst view on our standalone growth, which is a mix of enterprise and SMB. So now you add 1E, with a very strong growth purely on enterprise. So that changes the mix already pretty quickly. And that mix effect directionally is, say, one to 1.5 percentage points of growth, just because now we have more enterprise, which is growing faster than the SMB case.

So that's point number one. And then we're adding the synergies in the cautious estimate in 26 and 27. So we have not factored in a standalone acceleration on either TeamViewer or 1E's side.

Toby Ogg

That's very clear, thank you.

Operator

As a reminder, if you wish to register for a question, please press star followed by one. The next question comes from Victor Cheng from Bank of America. Please go ahead.

Victor Cheng

Hi, thanks for taking my questions. I think a number have been asked already. But maybe if you can talk a bit about the growth opportunities in the DEX market itself. Do you see more greenfield versus replacing existing solutions?

What's your closest peers? I know you showed the Gartner chart, so I guess we can make some inferences there. But who do you see as the closest peers, and what are your win rates?

Oliver Steil

Okay, I'll let Mark comment on peer win rates and so forth. But I think a general comment, if you look at the Gartner Magic Quadrant and the players there, it's the specialist DEX players that are the leaders. I think that's statement number one.

This is software that in the 1E case has been developed some years ago, and then has been continued to be evolved to be a real DEX and observability, remediation platform. So that requires quite some technical skills to get it there, pretty much like remote connectivity platform on TeamViewer's side. But you see the leaders in the DEX field are specialist players, number one, important.

Number two, it's an emerging area. And when you take the 290 customers, around 290, of 1E, and then you look at the other very strong player, Nexthink, and then maybe a few others, I think it's obvious that there's massive white space still. This is only at the beginning of the adoption curve. Large organisations with lots of IT and lots of people and lots of devices use it, start using it.

And I think it's quite interesting that when Mark gave us the sector footprint, it's where these big IT landscapes are sitting. And naturally, what we see is that it will evolve from there. So there's a very, very significant greenfield opportunity in new sectors, then in North America, because North America is ahead, where you also have the highest usage and the fastest adoption of AI.

And when you talk to Gartner, they would say that, well, Europe in that is a follower. So probably quite or many companies in Europe, enterprises, would not even know yet what DEX is. So there's a big opportunity. And then if you go to APAC, it's even more so. So a lot of white space, greenfield opportunity here.

Mark Banfield

Yes and maybe just to comment on competition, win rates, etc, we have a very strong win rate against competition, and mainly down to the significance of our real-time remediation and automation. So 1E is the only platform in the market that has true real-time capabilities, where we can instantly react when we identify friction, and remediate that issue in real time.

And that's obviously very, very important, because when a user has an experience issue, and they're unable to use

their device, that's obviously quite detrimental to their productivity, and also, their employee experience has a direct impact on customer experience. So the real-time capabilities is really what underpins our win rate.

And really, if you broaden that out a bit, our only challenge really is having more opportunities to work. And, of course, one of the great things about this combination is that we now have far more customers, TeamViewer's customers, to go and sell to, as well as more salespeople. So quite excited about what the potential is.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back to the CEO, Oliver Steil, for any closing remarks.

Oliver Steil

Yes, thank you. Thank you for all your questions. Again, sorry for short notice, and thank you for coming and discussing with us. I'd like to remind everybody that tomorrow, we have a field trip planned in, not far away from London, Brackley. And I think most of you, if not all of you, have registered and join us. We're really, really looking forward to seeing you there. Should be a very interesting programme.

Mark will come as well. We'll be there. Our whole management team will be there. And happy to showcase and demo our solutions, have customers talk. So interesting programme, which will allow for a deep dive in what we actually offer. And coincidentally, we will have one other, more big topic to talk about. So any more questions around 1E and this transaction, we have plenty of time to cover tomorrow as well. So I'm looking forward to seeing you there and discussing. Thank you, and see you tomorrow.