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Moderator: **Michael Lönne**

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Operator: Good day, and welcome to the TeamViewer First Quarter 2022 Results Call and Webcast. Today's conference is being recorded. At this time, I would like to turn the conference over to Michael Lönne. Please go ahead, sir.

Michael Lönne: Good morning and welcome to TeamViewer's Q1 2022 Earnings Call. I'm Michael Lönne, for Investor Relations and I'm joined by TeamViewer CEO Oliver Steil and CFO Stefan Gaiser. They will now present our business and financial update for the first quarter of 2022. As always, the presentation will be concluded by Q&A. Please pay attention to the note regarding forward-looking statements on page two. Oliver, over to you.

Oliver Steil: Yeah, thank you, Michael. Good morning and thank you for joining. We are pleased to take you through TeamViewer's Q1 2022 results. I will start with an update on our business followed by Stefan, who will provide you with a detailed look at our financials. As always, we will conclude today's call with a Q&A and are looking forward to your questions. Before we dive into the business update, I would like to point out some highlights of the first quarter. We believe we had a robust start into 2022. Our company continued to grow and simultaneously increased profitability. Our profitable growth was driven by both segments, Enterprise and SMB. And in simple terms, in both segments, billings are up, revenues are up, ASPs and ACVs are up, and at the same time, costs are down.

These positive developments translated into a number of key figures, shown on this slide. We increased our total Q1 billings by 12% year on year to now $163.5 million. Our adjusted EBITDA margin stood at 51%, which is an increase of seven percentage points compared to the previous quarter and above expectations. And despite a normalizing working environment, post-COVID, and overall economic uncertainties, we manage to retain substantial pandemic cohorts resulting in a total net retention rate of 101% in the first quarter. Our SMB business grew by 4%. Its higher quality tiers grew significantly stronger with 15% but this growth, on the other side, was countered by a decline in the entry segment, which remains competitive. Enterprise continues to gain momentum with the first quarter billings growth of 51% year on year. And this was driven by intake of new customers, a strong continuously improving net retention rate, and rising ASPs and ACVs.

Continued product innovations and our high-profile strategic partnerships further supported this trend. Enterprise in the first quarter accounted for 22% of total billings now, illustrating the ongoing mix shift within our business, meaning the fact that our business continues to lean more towards sticky enterprise business. Our essentially flat subscriber development in Q1 is not really representative anymore. It looks broadly flat whilst, in fact, we have a strong development in the higher value tiers of that business and the decrease in the entry business, which accounts for roughly 20% of our billings but 50% of subscribers. Therefore, there is an increasing trend towards a decoupling between the subscriber and billings growth, which continued in the first quarter. Stefan will talk you through this in much more detail during the presentation.

Finally, our liquidity remains solid with a net leverage ratio of 1.8 at the end of the first quarter. If you continue and look at the regional performance, first, the Americas, our second-largest regional market posted the strongest increase in billings on a year-on-year basis. Here we achieved an increase of 18% to €53.1 million, which was also supported by FX tailwind. That being said, we see very strong reception and growth rates in our enterprise business in the Americas. In absolute terms, EMEA is still our largest regional market and in the first quarter we recorded billings of €93.8 million. This is an increase of 8% in comparison with the first quarter 2021.

EMEA overall was a bit softer than we would like it to be. We did not experience any major deal slippages but overall customer tonality was a bit more cautious compared to the fourth quarter. As you know, we've been putting a focus on the APAC region for some time since we consider it a key growth region with strong billings growth of 11% to €16.6 million, year on year, confirm that we are on the right track with our updated strategy there. As mentioned last quarter, we appointed Sojung Lee as President of APAC in December. Sojung and I recently celebrated the opening of our Singapore office. Working from there, our new APAC leadership team is already showing very promising progress in building strategic alliances in the region, which is a core initiative of our revised APAC strategy.

At the same time, we launched a new regional office in Adelaide to further strengthen TeamViewer's footprint in the strategically important region of Australia and New Zealand. And most recently, we welcomed Helen Lee as the new Country Manager, Head of Sales for South Korea, who joined us from IBM and will be responsible for growing TeamViewer's presence in the Korean market, increasing brand awareness, as well as establishing a strong ecosystem with strategic partnerships and alliances. She's a seasoned IT specialist with over 30 years of experience and we are very pleased to have her on board. With our ReMax program, we have made further substantial progress since we last updated you on all agenda items. We are either on track or overdelivering in terms of execution. Therefore, we expect to successfully conclude ReMax by the end of the second quarter.

And let me run you through a few achievements since our last update. As mentioned, APAC development is well on track. We're also intensely working on a UI/UX update for our TeamViewer core products, a modernization of the product, that we expect to release in the second quarter. In EMEA, we adjusted our enterprise sales setup for greater efficiency and effectiveness. And looking at our organization, we've been able to add new faces in key positions. And as you will be aware, we have found a successor for Stefan. So the future set up of our management board has become very concrete with the announcement of Michael Wilkins as incoming CFO and Peter Turner as our new Chief Commercial Officer.

As already mentioned, we recently welcomed Helen Lee as the new Country Manager and Head of Sales for South Korea. Our industry-leading position goes hand in hand with cutting-edge security standards. And our new CISO, Robert Haist, brings valuable experience in threat intelligence and incident response from his past at German cybersecurity organization DCSO. Robert will drive our security agenda with our team of about 50 security and data protection experts. Now let me provide a bit of detail on our incoming CFO, Michael Wilkins who will succeed Stefan from September on. Let me elaborate a bit on his background. Michael currently is Senior Vice President, Group Controlling of Deutsche Telekom AG with over 30 years of experience in the telecoms industry.

He has global responsibility for the financial steering of Deutsche Telekom's comprehensive portfolio and in addition, leads the group's risk, governance and reporting. Coming from Deutsche Telekom, he has deep understanding of subscription business models as well as a strong commercial background after holding profit and loss and sales responsibility there. Michael also has a remarkable execution cost discipline track record. Furthermore, he gained M&A experience, particularly during the T-Mobile US and Sprint merger. We are convinced that Michael is a great fit for TeamViewer. Stefan and Michael are of course working closely together already now to plan and ensure a smooth transition. In addition, we would like to organize a roadshow in the fourth quarter of this year to give you the chance to get to know Michael and understand the way he works and thinks.

And then another appointment following the remarks on future CFO, allow me to provide you with some information on our new future Chief Commercial Officer, Peter Turner. We are delighted that after an intense search process, we found an experienced industry expert for our board. Peter Turner will start with his duties as the team - as a member of TeamViewer's executive board in mid-July this year, so relatively soon. He's an expert for growth companies, has established an impressive track record in the software industry. And at Team Viewer, his focus will be on advancing the company's commercial strategy and on re-accelerating growth of our SMB business. And lastly, let me briefly touch on a different topic. Security is very important.

BitSight, which is the leading cybersecurity rating platform, has recently ranked TeamViewer as the number one remote connectivity provider and among the top five most secure of the

75,000 global tech companies monitored. Great to see that our continuous investment in security pays off and that we clearly outperform all of our peers within the remote connectivity space. To further drive our leading position here, we have hired Robert Haist, as mentioned, as CISO, and Robert leads our team of about 50 security and data protection experts. To add some background on our security measures, our system landscape is monitored by a 24 by seven security operations center. We carry out regular penetration tests of TeamViewer's infrastructure as well as our entire product portfolio.

Moreover, we recently introduced the Bug Bounty Program and we have been authorized as CVE numbering authority. The latter underlines our contribution to the global cybersecurity community in understanding and fixing software vulnerabilities. We also engage continuously in fraud prevention and user security awareness campaign. With that, I will hand it over to our CFO, Stefan, who will provide a detailed update on our financials.

Stefan Gaiser: Thank you, Oliver. Hello, good morning, also, from my side. I'm on Slide 11. So let me start with the financial highlights in terms of top-line profitability and cash flow. Total billings in Q1 increased 8%, constant currencies, and 12% including currency effects mainly coming from the US dollar strengthening. IFRS revenues grew 40% year on year to $134.5 million and to a large extent, this accelerated revenue growth compared to last year's single-digit growth is due to the completion of our shift to a pure subscription-based business model. So finally, it's really like for like. In terms of profitability, Q1 margin slightly exceeded our expectations by achieving an adjusted EBITDA margin of 51%. This development was driven by strong operating leverage and again underlines our outstanding profitability.

Year on year, our margin was down ten percentage points compared to Q1 last year. This is solely due to the fact that our marketing expenses from the marketing partnerships had not yet been factored in Q1 2021. Our free cash flow accumulated to close to €22 million, down 13% year on year, again all reasons here were the advance payments for the marketing partnerships at the beginning of the year. Those payments have largely been in Q1 and Q2 and very little in the second half. Let's move on to the next slide, total billings development.

Let's take a closer look at our key growth indicator billings. As I said, we kicked off 2022 with double-digit billings growth in Q1 following numerous strong quarters in 2020 and 2021 that were driven by extraordinary COVID-related demand surges on a year-on-year basis.

We recorded, I'd say, solid overall billings growth of 12% in the first quarter thus increasing total billings now to $163.5 million. Both the SMB and Enterprise business contributed to our growth in Q1. The main drivers were, again, increased volumes and ASPs thus upselling into a higher ACV market within both segments, and also up and cross-sell from SMB into Enterprise, which is a key motion for the enterprise. Let's take a look at the SMB billings growth. The left-hand chart shows that SMB billings growth was reported at 4% in Q1 on a year-on-year basis. I think it's important to provide some additional explanations here as SMB growth was significantly affected by upselling smaller customers or customers with smaller ticket sizes and then transferring them into the enterprise market.

In any quarter, upselling from SMB into enterprise plays an important role for the enterprise billings growth, also in Q1, and as a result, those contracts move into the enterprise pocket. On an overall basis, this is clearly a very positive development as it confirms our consistent ability to convert so-called SMB accounts, which quite often are just large accounts with small ticket sizes, and then transforming them into larger enterprise customers. However, it also means that parts of enterprise growth happen to the detriment of the SMB growth rate. The implication of this upsell movement from SMB to Enterprise is quite clear, and I think the chart on the right-hand side illustrates this effect nicely on a LTM basis. A year ago, SMB billings accounted for €428 million and increased over the last 12 months by €45 million or 10% to €473 million.

However, €40 million of those billings increase was due to an expansion of contracts which then basically exceeded the SMB threshold and thus were accounted for in the enterprise bucket. Therefore, the reported LTMs and billings growth is only €460 million and hence only 7% growth, a delta of three percentage points between reported growth and underlying growth. Obviously, this is to the benefit of the reported enterprise business. I think it's important to be mindful that this is obviously at the expense of the SMB business but that overall, SMB continues to provide a very attractive funnel for our enterprise business. I think we already touched upon this effect in previous quarters as well as at the CMD, I think it's important to point it out again as this is obviously also the case in Q1 2022.

Enterprise billings growth, just briefly here, year on year comparison, left-hand side shows the strong growth momentum on enterprise billings. Enterprise growth up 19 percentage points from 32% to 51% compared to Q1 last year. Once again, a very strong performance, also partially driven by, again, converting SMB into enterprise customers. I think it's a testament to the accelerating mix shift towards enterprise. Yet its billings growth rate was lower when compared to more recent quarters. However, this reflects typical business seasonality. Q1 is not necessarily a strong enterprise quarter. Enterprise is typically very backend loaded with a strong year-end finish, especially in Q4 as we've also seen last year.

Let's move on to Slide 13. Important to spend a few minutes on our SMB business and the different momentum there. The SMB business in Q1 accounts for 79% of total billings. We continue to see really good growth in the mid to higher ASPs within that segment. At the same time, however, there is continued competitive pressure on the low and entry segment, which includes many prosumers as well. The entry segment of our business accounts for more than 50% of our subscribers but only drives less than 20% of our billings. Now, in this segment, we had to record a decrease in billings and subscribers, but the other two segments with higher ACVs and ASPs continue to grow in both metrics, subscribers, as well as billings. The left-hand chart was absolute LTM SMB billings clearly shows how the two larger buckets in this segment drive SMB growth.

The larger bucket here for ACVs between €1,500 and €10,000 increased, by most, nearly 20% compared to LTM a year ago. And as mentioned on the previous slide, this SMB bucket grew even stronger on a normalized basis due to the upselling in Enterprise, which mostly happens in this segment. And the chart on the right reinforces this statement with SMB absolute subscriber figures by ACV packet. As you can see, subscribers in the mid and higher markets both increased by about a fifth year on year. Only subscribers in the entry segment, which is ACV below €500, decreased. As this is currently still the largest of the three SMB tiers, total subscriber growth slowed down therefore from Q1 to this year's quarter. But obviously, now going forward, increasingly important to focus on billings growth not so much on subscriber growth.

So the entry segment is clearly where we continue to see headwinds momentarily given our suspension also of the free-to-paid campaigns as well as the highly competitive market. I think as we move up the ladder to more high-quality contracts and customer requirements, we see very robust growth dynamics in those segments. Clearly, we plan to address the TAM growth in the entry segment by reinstating free-to-paid monetization later during the year and also by significantly improving the prosumer appeal of our core connectivity product. Moving on to slide 14 with a few SMB KPIs, as you can see in the upper-hand-hand side, LTM billings grew by 7% on a year-on-year basis. Clearly, the last quarter was, again, marked by successful upselling, continuing a trend that was already visible a year ago.

The largest ACV packet between €1,500 to €10,000 recorded the highest increase of four percentage points compared to Q1 2021 despite the fact of upselling into Enterprise. The positive trend was also reflected in the continued increase of SMB ASPs to now €745 in Q1. Subscriber churn rate in SMB, on the lower left-hand side, remains stable at 14%. Again, here at the SMB business, we continue to stick to providing churn rate for SMB versus NRR for the enterprise business because I think the churn rate is much more meaningful for the SMB than NRR. Finally, subscriber development slightly decreased compared to the previous quarter, but again, this development was to be expected as we currently continue the suspension of the free-to-plaid monetization campaigns, a decision we took in Q3 to strengthen our ecosystem.

And again, I would like to reiterate this important point with respect to the quarterly subscriber figures. The net decrease in subscribers solely stems from the entry tiers, which account for less than 20% of overall billings. Nevertheless, we are clearly not satisfied with the current subscriber growth in that entry segment and we are working on bringing back growth momentum. I think we are positive that the planned reboot of our free-to-paid campaigns later this year will support subscriber growth. In addition, we are also working on improving the user experience as part of Project Remax and we make great progress there during the last few months in order to generate large attractiveness for our SMB customers. For example, with an upcoming release of the key connectivity product.

While we are preparing measures such as free-to-paid campaigns to facilitate growth, let me reiterate once again, that subscriber growth is gradually becoming less important as a growth driver for TeamViewer because more than 50% of our subscribers only account for 20% of billings. And as I pointed out before, SMB continues to grow despite currently essentially flat subscriber numbers. I believe this growth is sustainable and driven by a continuous ASP increase and successful upselling, both into higher SMB tiers as well as into the enterprise segment. And therefore, we expect to see this decoupling between SMB subscribers and billings growth to continue in the long run. I mentioned the ecosystem; let's take a look at the numbers here in the next slide. As mentioned before, our goal is clearly to strengthen our ecosystem, and I think we succeeded in stabilizing it over the past quarters with now a slight growth in Q1.

Active devices increased by 4% to a monthly average of about €50 million in Q1. This growth, to a large extent, reflects the continued suspension of our free-to-paid campaigns for the sake of nurturing our ecosystem. And the increased number and active devices provide additional monetization potential for the eventual restart of our monetization campaigns later this year. At approximately 50 million in global new installs per quarter, this metric is stable on a high level. Mild fluctuations reflect seasonality, which is due to a number of diverse effects including, for example, also enterprise activations. And a slight decrease of new installs in Q1 comes solely from APAC which can partly be traced back to more restrictive measures from our side to inhibit unwanted behavior and ensure best-in-class platform hygiene.

Let's take a look at the enterprise business on slide 16. In a nutshell, enterprise business continued to grow strongly and sustainable in Q1, contributed already more than 20% or nearly 22% of total billings. Coming from an LTM perspective, the enterprise business grew 79% to €105 million compared to a year ago. Also, the ACV distribution is now even more biased to larger ticket sizes as compared to a year ago. The largest two ACV buckets recorded additional growth, with ACVs exceeding the €200,000 threshold, the biggest ACV bucket. And that bucket is already contributing more than a fifth to our enterprise billings. The top two brackets, that means customers with ACVs in excess of €50K, already account for 50% of our LTM billings, so quite meaningful increase there.

We also managed to increase the episode number of enterprise customers substantially and we added around 163 customers in the first quarter and therefore stood overall at 2,873 at the end of the quarter. Also, worthwhile noting is our strong and continuously improving enterprise NRR which now exceeded 115% in Q1. I think paired with consecutive double-digit billings growth, this is strong proof for the resilience of our business model as we are successfully managing economic uncertainties and the emerging - the emergence of a post-COVID more normalized working environment. In addition to upselling SMB conversion and ACV expansion, clearly leveraging our leading AR solutions portfolio and our strategic partnerships also contributed to the strong enterprise growth.

In Q1, for example, we improved our enterprise platform Frontline by developing the fully integrated AI add-on AiStudio, we just announced it a few days ago, we are continuously expanding our AR offering and I think this clearly underlines our strong position in providing relevant solutions in the so-called, if you want, Industrial Metaverse already today. In terms of strategic partnerships, we clearly continue our strong collaboration with industry frontrunners such as Microsoft SAP, as well as Google Cloud. The latest integration here of TeamViewer is our augmented reality platform, Frontline, now happening with the SAP extended warehouse management application. And this further bolsters our footprints and improves access and widens access to even more enterprise customers across the world.

On the back of this, we saw good traction of joint sales motion with SAP resulting in a few wins and then a very robust pipeline build. In this context, we will actually also be at the SAP Sapphire Conference in Orlando next week to meet our partners and talk about our AR integrations. Moving onto the next slide, taking a look at the overall business, starting on the left with billings by category. As already mentioned, billings overall up 12% compared to the previous quarter. Billings growth was clearly more strongly driven by retained customers. I think this again shows that we successfully maintain and are able to extend business with our satisfied long term customers. So as a reflection of our successful ACV upselling and SMB to enterprise conversions, as mentioned before.

I think simply put, as a team, we have continued to shift focus towards customers with higher contract value. Our March development, showed on the - shown in the chart on the right-hand side illustrates the continuous improvement of our profitability. I think as mentioned, this quarter's adjusted EBITDA margin of 51% slightly exceeded our own expectations. I think this clearly proves the effectiveness of the ReMax program and particularly the cost containment efforts which are now fully implemented and effective ahead of time. Let's bear in mind that Q1 and Q4 are large billings quarters and hence also have higher EBITDA margins than in Q2 and Q3. Moving on to Slide 18 to provide more color on our major KPIs. I think this chart shows nicely the continuous improvement in core KPIs since Q3 2021, just as we promised.

I think we announced the action plan during the last CMD in November and we are well on track in most of those metrics. Topline in terms of billings and revenues increased solidly each quarter, even despite missing free-to-paid monetization. Adjusted EBITDA shows clearly a healthy upward trend reflecting, also increasing, profitability. And finally, total adjusted costs were substantially down compared to six months ago, driven by the effective cost containment efforts, lower marketing expenses, and normalized sponsoring payments.

On Slide 19, taking a look at new billings, as already said, Q1, again, showed that we are successful in retaining customers. It also reflected in the further increase of total NRR, also benefiting from FX tailwinds. On a quarterly basis, NRR stood at 101%, pretty pleased with this result. On the right-hand side, you can see that new billings per quarter amounted to €16 million in Q1. This is a bit softer than expected, mainly driven by lower intakes - new customer intakes in the entry segment of the SMB business. And also reflecting the continued suspension of free-to-paid campaigns there as well as seasonality in the enterprise business.

Taking a look at our cost base, slide 20, this slide shows in more detail what I mentioned before. I think we remain firmly on track to rightsize our cost base and align top line and OpEx growth. On the left-hand side of the chart, you can see the year-on-year comparisons and the right-hand side shows you the comprehensive comparison with the preceding quarter, Q4, which is probably more relevant here in this context. And the latter one clearly reflects the successful cost containment efforts.

94% gross profit margins, slight improvement, again, and remaining comfortably above 90% despite our strong push into Enterprise. The increased marketing spend from a year-on-year perspective reflected the sponsorship agreements, marketing costs, and brand positioning, as well as strategic investments in solutions, are now fully factored in. We will further build upon these achievements and continue to drive operational excellence. Moving on to cash flows, here is a closer look at our cash profile –. We continue to enjoy a very comfortable cash flow and cash conversion. Probably worthwhile to point out that we've been able to decrease our CapEx by more than two-thirds. Remember there was always a bit elevated due to the headquarters movement and an ERP rollout.

Since this is now behind us, actually, we were able to slash CapEx quite substantially. And all in all, our levered free cash flow slightly decreased, down 13% compared to Q1 prior year. This is solely due to the advance payments of our strategic marketing partnerships which happen at the beginning of the year, Q1 and Q2, and very little in the second half of the year. And obviously, this cash flow added to the strong liquidity position, which brings me to the next slide. This waterfall chart, I think you can read on your own, don't want to go through all of the line items. I think worthwhile to point out that financial liabilities now stood at €458 million. Most of our financing is secured long term. We have a very solid financing structure with very little refinancing needs in the next two to three years. I think that's a good position to be in in this volatile environment.

Net leverage moderately increased now to 1.8 times. Clearly important to give an update on the share buyback as well. As of last Friday, we have bought back a bit more than 30 million shares of the outstanding stock and roughly spent €185 million on this overall. And this represents about 62% of the target volume of around €300 million. And we expect the buyback to be completed well within this financial year. So let me wrap up on slide 24 with our guidance for the full year as well as mid-term outlook. Important to mention here, first and foremost, we remain on track to meet our full-year targets for billings revenue and adjusted EBITDA margin.

Obviously, visibility on the macroeconomic environment upon which our guidance ultimately rests has become less clear for the foreseeable future. But we are optimistic that the direct effects of the current economic uncertainties do not increase significantly any further. This leads me to an important point. We want to express that we are shocked and clearly deeply saddened by the horrific Russian attack on Ukraine and fully condemn this unlawful act of aggression. In doing so, I'm speaking for the entire TeamViewer board and our entire team. And as a reaction, we have stopped our business activities in both Russia and Belarus.

Suspending all of those activities in Russia and Belarus is the only sensible decision, in our opinion, in light of the last couple of weeks. From a business perspective, this decision will have a negative impact on billings of approximately 1% going forward. And on a more mundane note, let me finish by saying that our conversion into a European Stock Corporation which we announced earlier this year is fully on track and will be voted upon at our AGM on the 17th of May. But clearly, this SE conversion will have no impact on our day-to-day business or any financials. This concludes our presentation. We'll open up for Q&A.

Operator: Thank you, sir. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing star one on your telephone keypad. Please make sure your mute function on your phone is switched off to allow your signal to reach our equipment. Again, please press star one to ask a question. Our first question comes from George Webb of Morgan Stanley. Please go ahead.

George Webb: Thanks. And morning, Oliver and Stefan. A couple of questions to kick off on my side. Firstly, on the full-year growth guidance, which you reiterated, can you give a bit of context on the FX rates you're assuming within that given the recent euro-dollar weakness? And then just on the shape of growth through the year, comps ease quite noticeably into Q2 and Q3, so are you expecting to see in Q2 growth to reaccelerate towards your target range? And then secondly, on the free-to-paid monetization, you mentioned looking to restart that in the course of the year, is that expected to be a Q2 or second-half event, and are you making any kind of changes on how you run those algorithms compared to before? Thank you.

Stefan Gaiser: Yeah. First question, with regards to gross gains, when we put out the guidance at the beginning of the year, we assumed roughly stable FX rates. I think beginning of the year, the euro-U.S dollar was around 1.10, 1.12. Now obviously, the US dollar has significantly strengthened, 1.05, 1.06 right now, so providing some tailwind. At the same time, we obviously see increased uncertainty in the markets out there so I think that's a little bit of a downside for the remainder of the year. But clearly, FX provides some upside or some tailwind for us from a full-year guidance perspective. How the year will shape out in terms of billings growth? Yes, you're right, clearly lower comps in the second half. I think this year is a bit different compared to last year. Also in terms of free-to-paid monetization, last year, we monetized intensively in Q1 and Q2, this year we don't, so far.

Also, the enterprise pipeline build, especially around the partnerships, is clearly biased towards Q4. Pipeline build continues to be strong, but again, this needs to be converted. All the signs so far looking good. We also closed a few deals, not materially yet, but good traction and pipeline continues to be very strong overall. But clearly, for all of those reasons, monetization happening later during the year and enterprise increased new billings wins during the second half means billings growth will be biased towards the second half. The free-to-paid campaigns, look, we haven't made any decisions yet in terms of timing so far. I think it was a good decision to stop it completely. We see i in the ecosystem. I like it, frankly, that we see an increased improvement in our ecosystem. It also protects our entry segment. When will we switch it on? That's subject to debate, I can't really tell you at this point in time.

Oliver Steil: Also, the focus is clearly more on improving the core product, as we said, working on UI/UX improvements, as we speak, packaging improvements as well. So I think that's more the priority at the moment. Then obviously, we will also get input and seek the input of our new Chief Commercial Officer before we do any campaigning there.

George Webb: Understood. Thank you.

Operator: Thank you. Our next question comes from James Goodman from Barclays. Please go ahead.

James Goodman: Good morning, thank you. I'll go for a couple as well. Firstly, I mean, we're clearly in an inflationary environment. We're hearing from a lot of vendors about some quite material price increases especially in the enterprise space. So I wondered if you could comment a bit on your strategy around pricing and whether you see yourself as having enough sort of pricing power to push through sort of inflationary level increases or whether you want to be more strategic here in terms of sort of being competitive to keep share and anything sort of contractual within your enterprise base from a pricing perspective.

Second question, just on headcount and the OpEx development, you mentioned it a few times through the presentation but I was quite struck looking at the sequential reductions, particularly in sales and tech support, I think, is that fully annualized in this quarter? I mean, OpEx at about €70 million, is there any reason why that would pick up through the coming quarters other than maybe a little bit around marketing in Q4? I'm just trying to think about the margin which is also benefiting from FX as well as a percentage margin through the year. It seems like you're pushing the upper end if you maintain that sort of OpEx development through the year. Thank you.

Oliver Steil: Maybe I start with the pricing then hand over to Stefan. Yeah, indeed inflationary environment, certainly the case depending on the regions. I think I would say a couple of things, one is the pricing power in general improves. If we go into digital transformation projects enterprise, the more enterprisy we become, the more we work on operational workflow improvements, the stickier our solution is, and the more, in theory, pricing power we have. I think you can clearly see that if you look at the ASP development and also on the bucket development, so the clusters of enterprise business that we're really moving up the chain here and have larger ticket sizes. And that generally means we are more embedded and that in general means also slightly bigger pricing power, of course.

I think we will still look at this in a strategic way. We are a growth company, both in Enterprise, and there is a competitive environment at the lower end. So I wouldn't expect us to work significantly on the pricing side. We also need to monitor the macroeconomic environment. I think we need to take a regional approach here, very robust growth that you've seen in the Americas, and a robust economy, large ticket sizes, very sticky enterprise business creates room for price movements. In the European environment, given current macroeconomic trends, we might need to be a bit more cautious but to be seen. So I think that's our current view on the pricing topic.

Stefan Gaiser: Maybe an OpEx and FTE development, I think it's fair to say that Project ReMax was concluded ahead of the communicated targets, we cut back across all functions. Clearly, some rightsizing in the sales team, mainly happening in EMEA. As we pointed out, I think at the time of the CMD, we've been overstaffed. I think tech support clearly also benefits from the significant-tech investments, frankly, which we did over the last one or two years. So we've been able to automate more of our customer services. But at the same time, actually continue to provide really great service because the churn rate remained stable and I think very good development overall there.

In terms of OpEx development, going forward, there will be pick up for a variety of reasons, A, we now finally can see and visit our customers again. There's more marketing activities and field activities going on. So travel will increase which is good, I think we clearly benefit from that. We also have salary increases which we typically do in April and not January timeframe, so that will kick in as well. So there will be some uptake in our OpEx, but I think at least it comes from a lower base than initially communicated to the market, which is very good. I think we also need to bear in mind that obviously, Q1 and Q4, those are big renewal quarters, large billings quarters, and hence higher EBITDA margins. Q2 and Q3, a bit less. Clearly, those are lower billings quarters.

James Goodman: That's helpful. Thank you.

Operator: Thank you. Our next question comes from Kathinka De Kuyper from J.P Morgan. Please go ahead.

Kathinka De Kuyper: Hi, thank you very much for taking my question. Firstly, your new bidllings seems they have been declining since the second quarter of 2021 and that they are running behind on your expectations. So what are you expecting for the remainder of the year? And then secondly, on the enterprise business, can you quantify the contribution of the SAP, Google and Microsoft partnerships? And also, can you quantify how much of billings are in augmented reality and the opportunity that you see in the industrial metaverse? Thank you.

Stefan Gaiser: Yeah maybe with regards to new bidllings intake, as I said, really that was a bit softer solely in the entry segment of the SMB business where there remains competitive pressure. We clearly expect an acceleration of new billings during the year. We will at one point in time start monetization of free users again. Again, that's something which didn't happen this quarter compared to Q1 prior year. And also enterprise new bidllings intake will obviously accelerate, however, also in the second half because that's just prime time for enterprise business, as for all other enterprise software companies out there.

Oliver Steil: And the second question, enterprise billings contribution, SAP, Google, Microsoft, the most, I mean, by far the majority of the deals that have been coming in in the fourth quarter and the first quarter are not related to these partnerships yet. Clearly, there is significant pipeline development ongoing but all the numbers are effectively, except for a couple of hundred thousand, are not projects, which are directly related to these partnerships. But the pipeline outlook for this year is pretty strong, so, therefore, this will be a supporting factor going forward. It hasn't been so much for now but as you can see, Stefan mentioned from the marketing activities, conference participation, joined generation and pipeline development, this going very well. The augmented reality is by now becoming a meaningful part of the enterprise business. Think share is -.

Stefan Gaiser: At that time of the CMD it was north of €13 million and it has increased substantially then. It's not something we disclose on a quarterly basis but you can assume it grew quite nicely since then.

Oliver Steil: So it's really an important part of the business now, and it's also the angle on which these partnerships with SAP and Google have started. And we continue to add solutions there with SAP, that we're communicating to our customers as well.

Kathinka De Kuyper: Thank you. And the metaverse opportunity?

Stefan Gaiser: What did you say, again? Hard to understand

Operator: The industrial metaverse opportunity?

Stefan Gaiser: So the AR piece is effectively industrial metaverse. This is using augmented and mixed reality in industrial workflows. This is what we do with AR, whether we use it on smartphones and tablets, which is more the kind of standard plug and play way, or now, really using a wide variety of very capable glasses that you can wear eight hours for a full shift and really equip workers with this. This is really - these are the key drivers of the augmented reality opportunity.

Kathinka De Kuyper: Thank you.

Operator: Thank you. We'll now take our next question from Mohamed Moawalla from Goldman Sachs. Please go ahead.

Mohamed Moawalla: Thank you. Morning, Oliver, morning, Stefan. Two for me. I just wanted to drill into Enterprise, I know you sort of talked about it at a high level. Have you seen sort of any impact from sort of the macro? And I know that you're banking on significant second-half growth given the pipeline, how do you sort of assess the risk to the deals in the pipeline and conversion from macro around the sort of second half and what have you sort of baked in for that, if any, in your forecasts? And then secondly, just wanted to come back on the sponsorships, are there any sort of flexibility or performance-related targets that could give you the room to optimize some of that spend? For example, Man United not qualifying for Champions League. And could that be an added area of savings? And if so, would you be inclined to invest that away or let it just drop through to the bottom line? Thank you.

Stefan Gaiser: Let me take the first one, macro impact. I think it's fair to say that within the first quarter, which we concluded, there was little visible impact on pipeline conversions so far. However, going forward, I would expect some of the deals in the pipeline might be affected by this. It all depends really on how the situation evolves. I think we all don't know how the situation evolves but clearly that the environment got more volatile is not good and the inflationary environment does not help. I think that's probably more the case in EMEA and less so in the US. When we speak to customers, I think the team feels pretty robust about the US pipeline, maybe more softer tonality from European customers. I think it's too early to make a judgment call, frankly, on this, and so far Q1 hasn't been affected but we need to be mindful of this environment out there.

Oliver Steil: Yeah, maybe on the sponsorship. So fundamentally, there is no flex in both of these deals with regard to performance. Why is that? I think it's worth noting that both deals - we've signed both deals in the middle of COVID impact on both of these sports which from our perspective led to very attractive deal terms if you compare with deals that have been closed later since COVID and have been contemplated in the press. Of course, we don't comment on those in detail but you can see the price tags and the development there that it's quite obvious that we had very good timing in terms of closing these deals for an extended period. So the down, the - what we had to agree then with is some kind of non-performance related elements there.

We were also benefiting from the upside. If you look at Manchester United, the whole Ronaldo effect wasn't discussed when we were doing the deal. So that upside effectively was also not impacting our financial terms. On the Formula One piece, more races in the United States which is a very important market for us, very interesting racing now due to the new rules, much better media coverage. Record viewership of Netflix’s Drive to Survive. So all of that we get - we did get without any additional cost. And again, the flip side is there's no flex on performance. That's how the deals are at the moment.

Mohamed Moawalla: Okay, that's great. Thank you.

Thank you. Well, our next question comes from Ben Castillo from BNP Paribas. Please go ahead.

Ben Castillo: Hi. Good morning, everyone. Thanks for taking my questions. On the new billings side, €16 million, you said it's slightly below expectations, should we see that as the low point of the year, should we see an improvement sequentially from Q2? I appreciate Q4 should be much better given the enterprise weighting. And then secondly, on net retention, it looks like that continues to improve, just curious as to what targets you have there, where you think that could get to particularly on enterprise at around 115%, where could that get to by the end of the year if things go your way? Thank you.

Stefan Gaiser: On new billings, whether it's a low point or not, clearly, Q1 is not necessarily the strongest quarter for new intake and missing F2P conversion in Q1 on top of that. So this is a low point? Most likely but, again, it all depends a little bit on when do we decide to start monetization campaigns again. On Enterprise's new billings intake, again, I think this will be based more towards the fourth quarter, frankly. I expect it to be in the same levels and then accelerating towards the end of the year. From a NRR perspective, look, there's - we don't provide precise targets there other than we expect the NRR continuously to increase. I think that's been the case. Clearly now we are working in a more normalized post-COVID, if you may say so, environment which was a drag in our last year's Q1 obviously. But this year, despite that, we've been able to increase NRR, so that's a good sign.

I think now with the accelerating bias towards higher ticket sizes and enterprise tickets, NRR should continue to improve and go up overall. But I think it's more important to see the NRR in the enterprise business which is consistently north of 100%, now north of 115%. Good development also driven by a very strong Q1. I think that already is a good very good NRR for an enterprise business. Is there room to expand? Let's see. I think just a bit too early, frankly, to also give our NRR target here. And I would also point out that, I mean, the partnerships which we are closing or which we have entered into with Google and SAP, those will be predominantly new logos as well. So that might then help NRR in a couple of years down the road but should initially drive new wins in the enterprise business as well.

Ben Castillo: Got it. Thank you. Just one quick follow-up on the CapEx, much lower now those projects are completed. Should we see that as a new normal in terms of the quarterly run rate for CapEx?

Stefan Gaiser: I think the guidance I gave was around €15 million or less. So I think we are well within that bandwidth, so to say, and that's the new normal for us going forward. We don't have any step changes in our CapEx. So for example, if we need to increase the capacity from a router perspective, that doesn't require a significant CapEx move, it's more slight adjustments. So in a nutshell, yes, this is the new norm. Maybe not on a quarterly perspective, it has been 1.3, but overall, from a yearly perspective, €10 million should be sufficient, €10 to €15 million should definitely be sufficient.

Ben Castillo: That's it. Thanks very much.

Operator: Thank you. Our next question comes from Victor Cheng from Bank of America. Please go ahead.

Victor Cheng: Hi, thank you for taking my questions. Two from my side. Just thinking about how sustainable all the cost cuts implemented through ReMax particularly as you continue to upsell customers for more innovative and complex solutions. Do you think the current level of R&D is sustainable and will M&A potentially come into play at some point as well? And then secondly, I think during CMD, your expectation of SMB growth is through a combination of 30K, 50K net new subscribers, then 5% to 10% ASP growth, is that still kind of the expectation given what you alluded to in the call? And if not, how should we think about SMB growth overall?

Oliver Steil: I think on the sustainability of cost level, yeah, I think we have done a regrouping, which we announced at the Capital Markets Day. So I think if you look at the last couple of years, then we were upfront investing into R&D, into marketing, and also into the sales organization to drive the enterprise business. I think we've then learned last year that probably the hiring was a little bit too fast during COVID times and we needed to restructure a little bit and reduce the pace in cost build-up to reflect the billings growth, quite frankly. And I think this is now in a good position so I think the cost development is now much better in line or synchronized with the billings development. So in that sense, I would consider that to be sustainable which means costs will increase but also billings will increase.

And I think from a profitability perspective, I would consider that to be sustainable. Also on the R&D side, as part of our overall cost structure and clearly, one of the biggest drivers of headcount development. M&A, specifically, I think we always said that tuck-in M&A on the solution side to complement our overall offering for certain segments and across the value chain does make sense. Obviously, we were focusing and we are focusing strongly on organic development over the last quarters and will continue to do so. But if you take a more longer-term view or mid-term view tuck-in M&A I think is something which does make a lot of sense.

As you can see that the M&A we did over the last two years in the augmented reality space has worked out very well, very well integrated, clearly positioned us as one of the market leaders in this space. And also one of the reasons or key reasons for these large-scale partnerships with SAP and Google. And I would think of this model if you consider M&A.

Stefan Gaiser: Subscriber development and net subscriber intake and our goal of 30K to 50K growth, I think a first of all, important to understand the subscriber growth for us is not the most important metric anymore, 50% of subscribers, less than 20% of billings. That being said, we stand by our goal of increasing subscribers. We also want to reignite growth in the entry segment of our business where we see the continuous competitive pressure on the business. And we see growth in two segments of our SMB subscribers but a decrease in the low end. On top of that, we have the Ukraine-Russia impact, which also will impact our subscriber count. And therefore, it's probably fair to say that we expect subscriber growth probably more towards the lower end of the range, which we indicated at the beginning of the year.

I think from an ASP development, we mentioned we wanted 5% to 10%, I think we are close to 5% now. Let's be mindful of the inflationary environment and the pressure in the entry segment, let's see how things evolve. But so far I don't see a reason to deviate from that target.

Victor Cheng: Got it. Thank you.

Operator: Thank you. Our next question comes from Gianmarco Conti from Deutsche Bank. Please go ahead.

Gianmarco Conti: Morning. Stefan, Oliver, thanks for taking my questions. I think most of mine have been already answered but I only have about two follow-ups. First of all, could you maybe give me some clarification on the new enterprise wins? How much exactly has that come from enterprise compared to both sequentially and year over year? And the second question, just more generally, when you define OT, what exactly is the definition of OT use cases and how actually do they actually track that? You're saying that you're selling more towards OT, and if you could maybe give some color on the actual percentage split between OT and IT in the quarter. Thank you.

Stefan Gaiser: So it's just the first one, I think your question was how much is the new billings between Enterprise? Had some difficulties understanding, is that right?

Gianmarco Conti: Yes. So exactly how much of the new billings derive from enterprise like the new wins? -

Stefan Gaiser: That's still significantly biased towards SMB, which is a big part of our business. So two-thirds or so of new billings intake are SMBs and then one-third is Enterprise. This was significantly different a couple of years ago and obviously, Enterprise in Q1 is not the most important quarter. It's much more in Q4, frankly, when you should see an intake in new logos. But roughly speaking that's the split. In terms of OT, it depends a little bit. There are partially very clear-cut OT use cases. For example, if we use our frontline solutions to provide field support or digitalized field support, that's obviously a very clear-cut OT use case. But what we also see is that just connecting all sorts of devices in a shop floor environment, that's also what we consider an OT use case.

And I think that's clearly a sweet spot for TeamViewer and has been a sweet spot over the last couple of years that we really want to actually roll out our connectivity platform across all sorts of devices and digitalize the business processes behind those then. A case in point is obviously you can connect TeamViewer with your ATMs, with your medical devices, with the entire shop floor environment, and then provide digital services around those. And that's also what we typically consider OT use case. However, that relies on the same platform so therefore it's tougher for us to differentiate what the product is being used for. Clearly, in the enterprise space, we know that because we have a pipeline and can clearly tell what the customers do with our software, but many of our smaller ticket sizes, we wouldn't be able to tell that split because it's the same platform.

Oliver Steil: The OT is everything, which is outside of the classical IT environment and really touches the operations like manufacturing, service, logistics, sales, after-sales, all of these things. And the tracking is from discussions with customers and understanding the use case. And then of course, also we know the deployment in the enterprise space, we have solution delivery people, we have customer success managers and therefore we know exactly what customers are doing with this. In the higher end of the SMB segment, it's sometimes a bit harder to track because customers can, as Stefan said, use the same platform for connectivity to all kinds of devices. But we're getting smarter and smarter and understanding what customers are doing because we're touching these high-end customers much more regularly.

Gianmarco Conti: That's it. Thank you.

Operator: Thank you. Our next question comes from Hannes Leitner from UBS. Please go ahead.

Hannes Leitner: Yes, thanks for letting me on. Maybe you can drill down a little bit more on James question around the headcount. If I remember correctly at the Capital Markets Day, you talked about the stable headcount and rather more right-sizing of the right people with a sequential decline of 9%, it seems a little bit against that also. Is that a rather more voluntary leavers or was this really rather more engaged by you? And then secondly, just on - to get the moving parts from Russian impact, FX, could you maybe talk in particular, what would be your constant currency growth expectations and how you reiterated your billings growth? And then lastly is on the deferred revenue line, you are non-current continued to rise, maybe you can explain that how come that over the last three quarters has steadily increased and what should we expect there? That would be helpful. Thanks.

Oliver Steil: Maybe I start with headcount. Generally, we have implemented the ReMax program and I think we're now at the headcount level which is a good base to slightly then grow again. Probably not so much in Q2, but then in the second half of the year, I think we are just hiring - we will hire again. But again the pacing will be significantly lower than it has been in the past and therefore are much more in line or fully in line with our kind of business development on the other side of things. Clearly, it was mostly in the fourth quarter and also the first quarter, mostly, managed headcount development by us. But if you start to introduce reduction measures and regroup a little bit then there's always a ripple effect that some people also leave the company because they see that priorities change and we are putting a higher performance bar, actually.

That happened, of course, as well, which is always happening if you work on the headcount side, and it's also expected. Both effects together, I think, have led to a very healthy development in Q4, Q1. Going forward, clearly with inflationary pressures and also a shortage of labor, a post-pandemic environment, and all the uncertainty in the market, we need to watch carefully, we don't want to be shrinking and we want to be a very attractive employer. So we need to make sure that we are mindful of our talent development. And we, of course, continue to invest into the right talent and feel quite balanced in our footprint there at the moment.

Stefan Gaiser: And then maybe on the guidance and the underlying impact we see from Ukraine and FX. FX right now, US dollar 1.05, 1.06, so 2% or 3% percentage points better than we initially planned. So that provides some tailwind and gives us comfort in our guidance. At the same time, we have the Ukraine impact, which is a bit more than around 1% of billings, a bit more in terms of subscribers. So I think so far we are able to absorb this within our guidance, which is good. It will also helped by the FX tailwind but let's see how this tailwind evolves during the year, a bit early so far, I have to say.

And in terms of non-current deferred revenue, yes, we enter into more enterprise contracts which sometimes have a longer contract duration, so can be anything from one to three years. Sometimes that's billed upfront. I think that's generally good because it de-risks churn and de-risks our renewal business and therefore secures longer-term revenue growth. Right now, it's I think the total amount is around €8 million. How do I see evolving that? It will probably increase slightly, I expect, yeah. But overall, it's still fairly minimal, it's €8, €9 million so far on the balance sheet in context of overall €280 million. So it's 2% of the overall of all deferred revenue. Maybe it'll increase slightly but not dramatically.

Hannes Leitner: Okay. Thank you.

Operator: Thank you. And we'll now take our last question in the queue today from Gustav Froberg from Berenberg. Please go ahead.

Gustav Froberg: Hi, everyone. Thank you for taking mine, I'll keep it brief. Just on upselling and monetization, could you just talk a little bit about how much less you think there is to upsell and monetize current customers? You're talking about 50% of subscribers making up less than 20% of billings, how should we see that? And then a question on wage inflation, could you just quantify the inflationary impact you expect for the year and then how you're thinking about offsetting this perhaps across other cost items now that you're thinking about growing the employee base as well? And then finally, on capitalized sales costs, could you quantify the margin impact in Q1 and then how we should see this for the full year?

Oliver Steil: I'll start on the offsetting side, I think there's a significant potential left, I mean, we've shown statistics at the CMD, if you look at our subscriber base and there's a large number of subscribers in the below €500 segment where some upselling is happening, but that's clearly not what you refer to. On the other side, the other half of the subscribers, we've been very successful over the years to add additional capacity to our core product but then also cross-sell into more remote management capabilities. And especially selling the tensor product, the enterprise platform, into large, very large organizations but also into medium-sized organizations that want to become much more secure, much more professional in how they handle remote connectivity and also have more use cases.

So there's a lot to go for. We did the segmentation of our customer base at the Capital Markets Day and identified at least 20,000 large organizations that could easily move into an enterprise deployment, so to say. We only have 2,800 something customers above €10,000 so if you look at our customer universe just by logo, name, address, type of customer, and business, and then our enterprise business, there is significant white space, really significant white space. We don't cover - only in very few situations we cover multiple use cases already to a large extent. Our largest ticket size is still relatively low compared to other companies, has grown very, very nicely over the last years. And we now have deals which are seven-digit but there's ample room to grow into more meaningful projects. And that's happening and that's one of the key motions across the globe, a little bit ahead in the Americas at the moment, closely followed by APAC with lots of white space because we don't have an enterprise footprint - almost no enterprise footprint in APAC yet.

Stefan Gaiser: And your second question, inflationary pressures and impact, we did our or we just concluded our salary increases for this year which will kick in the April timeframe. Generally speaking, we expect a 4% to 5% increase in FTE for this year, that's what we've effected basically. So you will see that starting kicking in in April. You will also see some other OpEx growth, as I mentioned earlier, on more marketing and field activities going on, which is a good thing. So that will increase OpEx going forward slightly as well, not massively, but a slight impact or increase as well. In terms of sales commission, I think it's important to note, point out we already started capitalizing sales commissions Q4 last year. So Q4 over Q1 development is really like for like. In the last quarter, we capitalized around €2 million per quarter. I think that's the runway you can assume going forward, roughly €2 million per quarter is what will be capitalized. At least for the next two or three years, and then at one point in time, obviously, the appreciation of this capitalized sales commission will be pretty much the same amount as you capitalize.

Gustav Froberg: Yeah. That's great. Thank you very much.

Operator: Thank you all. That's all questions we have today. With this, I'd like to hand the call back over to Michael Lönne for any additional or closing remarks. Over to you, sir.

Michael Lönne: No, thank you. That's completes our call for today. Thank you all for your attention. Bye-bye.

Stefan Gaiser: Thank you. Bye-bye.

Oliver Steil: Thank you.

Operator: Thank you. This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.