TeamViewer AG

Transcript – Q3 2020 Results Webcast

10 November 2020

00:00 Operator

Ladies and gentlemen, welcome to the TeamViewer Conference Call for the Q3 Results 2020. At our customer's request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions) May I now hand you over to Carsten Keller, Head of Investor Relations and Capital Markets.

00:32 Carsten Keller

Thank you very much. Good morning and good afternoon, and welcome to the TeamViewer Q3 2020 results call. Before we start, as always, I'd like to remind you of the note on the forward-looking statements that you can find on this page of the presentation. And with that, I'd like to hand over to our CEO, Oliver Steil.

00:56 Oliver Steil

Thank you, Carsten. Good afternoon to all of you. Thanks for joining. As always before Stefan is going to present the financials in details, I will take you through our highlights of the quarter, which you can see on the slides.

So Q3, clearly we've built upon an extremely successful first half year, and continue to grow very strongly and also profitably across all regions and all customer segments. And I think one year after our IPO, we can really say that we have overachieved our growth targets that we've set at the IPO and communicated to you.

Specifically, Q3 billings increased by 29% year-over-year and actually 34% on a constant currency basis in combination with H1, which was very strong and which was also less impacted by FX headwinds, but had a significant pandemic related extra demand in March and April as we remember. Billings are actually up 48% year-to-date, Year over year on a reported basis and 50% even at constant currency.

And as you also know, we have a very efficient financial model. So accordingly, our adjusted EBITDA grew as well even more 58% year-over-year growth, 61% at constant currencies for the first nine-months resulting in 57% margin for this period. Stefan will of course provide you with much more details on the financials later in the presentation. But I think it's important to note that we are seeing very good, very balanced contribution from all growth initiatives and we are actually very pleased to see that the platform continues to grow.

For example, a couple of days ago, we had the installation pass the mark of EUR2.5 billion, which really shows our leadership in connectivity as the basis for monetization in future. And as the ecosystem grows, we are also steadily attracting new subscribers across all customer segments really. We did expand our enterprise footprint even further which was important for us, an important growth initiative. And we're also increasing the demand for higher value at strategic solutions for workflow redesign business processes and the likes.

I think a very interesting area in this respect is of course augmented reality and IoT where we see very exciting dynamics, and I think the Ubimax acquisition has actually paved the way to go into these segments even more and grow from that as well. We did, less than six weeks after the announcement, we actually close the transaction in August, so very smooth process. And thereby we completed the first strategic acquisition in TeamViewer's history, so also a very important milestone that happened in Q3. Besides all the organic performance, the market trends, everything that was going on around us, I think it's quite remarkable that we also did that during this timeframe.

And we believe that we're progressing very well with integration, I'm going to cover that a bit later. And we also see that customers are excited, so there is some early traction on some cross-selling initiatives as well where sales forces from both companies approach customers together and talk about these new solutions. What we also did in the first quarter, we continued to work on integrations, integrations with major software partners.

I think most notably in this quarter we finalized the integration of TeamViewer into Microsoft Teams, which basically allowed Teams users to move from a video collaboration session into an augmented reality support session. So enriching the collaboration and the interaction with augmented reality features that come from our product, and clearly needless to say, with 115 million or so daily users Microsoft Teams is of course one of the go-to products for video collaboration and therefore integrating with them and allowing users to combine both user experiences drives our brand awareness, and it's clearly also expanding our use-cases in our portfolio.

What we've also done, we've now integrated our AR Solution fully into our Tensor platform. As we remember, Tensor is our product for enterprises which comes with very different, much, much more serious security features, single sign-on traditional access and the likes. And Pilot, the augmented reality product was a product which was on the side, and now we've integrated that into one Tensor platform, which of course makes it much easier to use this functionality also for enterprise customers.

We also just relaunched Tensor to include some more functionalities, I think most notably Co-Browsing, very important. Because we have more and more customers that actually needs or use TeamViewer/Tensor to support their customers, while these customers using company apps. And in order to do so in the fully GDPR compliant way, we have to provide for a Co-Browsing functionality, and that's what we built in Tensor as well.

So a lot of was going on AR, Enterprise, Tensor, IoT developments, which clearly underlines how dedicated we are to this segment. And the reason for that is and also the result for that is our continued traction that we see in the enterprise segments, which you can see on the slide now. So during the summer quarter, we have won additional 144 subscribers with an annual contract value of at least EUR10,000 per annum or more.

There's actually twice as many as last year. Including Ubimax, we increased the number of enterprise customers by more than 200 actually, which corresponds to an extent of its customer base of more than 180% in September 2019. So very remarkable development.

And if -- as you recall, we put out this KPI because we know that for deals above EUR10,000 it actually means that across several go to market. So enterprise inside sales, reseller, inside sales people and resellers can sell this products, and therefore we like the fact that we have a more higher value product in the customer segment.

The other side of this enterprise development is always the largest deals, and therefore we consistently report the accumulated volume of our top 50 deals on an LTM basis. And despite longer sales cycles for larger enterprises due to this year, which we noted before, we increase the deal volume to 6.4 million organically and 7.7 million if we include the contribution from Ubimax.

And just to give an idea. So while in 2019 the top 50 contracts, so these top 50 deals that we mentioned in here. In 2019 they ranged between EUR36,000 and EUR300,000, so that was the bandwidth, so to say. This range now sits at 80K for the lowest yield and five -- well above 500,000 for the biggest deal, which we mentioned before. So we really -- we're moving upwards with the top deals. We have more a larger base of the call it, mid sized deals above 10K, and that's the reason why we keep investing into this area. Because it's a very healthy domestic development for us.

What's driving this development? As always, I'd like to give you an idea of the deals over the last quarter. Here is a list. Again, we were able to close a good amount of large Tensor tickets, especially this time in the Americas with customers across various segments -- sectors, which is also diversifying our sector exposure, which is good. So it's really horizontal.

We have an increasing number of clients that also added Pilot to the deployment to extend the idea of support and remote maintenance and work really beyond into the operational work and use augmented reality solutions. So clearly that drives down costs and reduces downtime, but also in some places it was basically just needed because of the Corona situation. So you see here, you see some front layer -- front line licenses, which is the old Ubimax world, you see Tensor, which is the old TeamViewer world and you see Pilot in some of them across all segments and with that they use typically around 50K.

As I said before in the Q3, we had very nice contribution from the Americas, EMEA still a bit slower, clearly fully summer quarter. But overall, we are very pleased with the development in EMEA now as well, and that continues into the fourth quarter. So we actually are also very happy with how the October started in this.

And if you want to look at some use cases from this list, in order to give you an idea. So we have for example, these US client in the Publishing sector already using TeamViewer Tensor for internal IT support, and they have requested a comprehensive working from home set up for their design teams. They've tried certain other solutions, which haven't been reliable during high data traffic and also were lacking compatibility with macOS.

So with TeamViewer they were able to easily establish high performance remote working solution into their already existing Tensor installation, benefiting from high security standards, through single sign-on as I mentioned, integration into Microsoft Intune service now, which was an additional plus. So quite often we see that the basic functionality, the added security from TeamViewer and then the integrations with other companies is the package that customers want.

So that's the Tensor side of things. In addition, we also had some key Frontline deals. For example, you can find a couple of those at the top of the list. One example is a German -- large German logistics company. They have decided to roll out Frontline internationally. They have ordered the xPick, our solution for their U.S. operations.

And how that works is xPick is -- has AR features, and they can use handheld scanners or the handheld scanners that they're using are then replaced by glasses, smart glasses that allows the worker to scan barcodes hands-free by just looking at the barcode. So they have glasses, they look at the barcode, it's scanned, and of course that makes the whole workflow much easier than using handheld devices.

And at the same time, in those glasses workers have all the necessary process information displayed, so much easier to guide them through the picking all hands-free, improve productivity as you can imagine and also reduces error rates. So a very interesting application for digital warehouse operations based on Frontline.

Another Frontline deal that you see on the list is a US industrial customer. They didn't go for xPick, which is the logistics solution but for xAssist, which is a support solution as well. Again, Augmented Reality and they use it in their plants to give workers technical instruction via smart glasses to perform their service stuff. So, it's really like an instruction in front of the workers eyes to make sure they know which operation to perform, and of course also ensure quality and collect data of the performed task.

So these is just a few examples where customers around the world would use TeamViewer/Ubimax solutions to digitalize really all kinds of processes in all functional areas of an organization, and really across all verticals. So interesting to see that we are able to really address very, very many use cases now. And of course, all of that is built on innovation, product improvements as we go along learning from our customers, adding functionality and making it broader and feature-rich and also more secure.

If we talk about the Ubimax integration. So it was very important for us to expand our knowledge in business processes in industrial IoT, variable IoT through the acquisition that we did this summer, really a key milestone. We are very pleased to say that less than six weeks after the announcement the transaction had already closed, and we are consolidating the business since the September 1, and we're also very happy that all integration work streams are really really progressing very well. I think the key to this is the fit of the two companies, the cultural fit, and also the product solution fit and the strategic -- the shared strategic vision behind these two companies.

So we now have completed Phase 1. The Frontline platform is now fully added to the TeamViewer Solutions portfolio. As you can also see, for example in Germany you see it on the website and in other markets, the integration is happening. And of course, TeamViewer solution -- sorry, Frontline Solution portfolio is now also powered by TeamViewer marketing and TeamViewer sales. We start to generate joint leads in the different sales organizations across the globe.

This acquisition not only gave us an additional vertical at products suite with very high stickiness, but the other thing is that we acquired really market leading experts in augmented reality and that is also facilitating a much deeper integration with our IoT offerings. So we're taking the AR piece and the IoT piece, the AR of Ubimax being very dedicated to workers, to humans and the IoT offerings of TeamViewer being dedicated to things really, we are integrating that much more. And we already have a few proof-of-concept projects where we bring these two sides together and work with customers to really have an end-to-end digital process around this.

Phase 3 of course will be then the integration -- the platform integration of the two solutions. We have R&D groups in both companies, mostly based in Germany. They work together very closely already now to develop a joint platform. Ubimax is often in its functionality more web-based, TeamViewer is a proprietary connectivity architecture, bringing those two pieces together makes it very, very attractive.

Because we can connect to any device, anywhere, any operating system and we can put additional features, functionalities on top of that, which makes the solutions suite much, much broader.

So it's very exciting to see how these teams come together, again culture plays an important role. We have the founders team of Ubimax in our Senior Leadership team, work together very, very closely as much as possible during Corona times, and we are progressing very well. Of course immediate billings contribution from Ubimax in Q3 has been small, but we believe it has a very positive impact on our enterprise customer base, and I think it's already visible how we can have future deals and embed ourselves more deeply into customers.

Now, before I hand over to Stefan to elaborate on the financials, I would like to take the opportunity to reflect a bit on what we've achieved since our IPO, September 29, almost exactly one year ago. A lot has happened clearly, when we had the IPO we were still celebrating with more than 300 people, very close to each other in the Frankfurt Stock Exchange. So really a milestone of the company. Hard to imagine now how that's worked now that we all still continue to work from home in most of our offices and are in partial lockdown again.

But over the last year, I think we can really proudly say that we have clearly over delivered on the strategy, and also on our targets that we've laid out at our IPO, and this is really true for all three pillars of our growth strategy. I remember customer segment expansion, use case expansion and really regional expansion. So if we start with customer segments expansion you've seen number of enterprise customers has almost tripled.

We have 2.5 million installations of our devices globally, subscriber growth has significantly accelerated. So we really-- we added the Tensor product for our enterprise. To grow into this segment, we added the remote access product to allow for a basic work from home product more into the small business, SOHO business so that expansion in both direction has worked very well.

We look at our geographic expansion, also very successful. We see significant billings growth across all region really. And there's two examples, one is APAC, everybody would identify APAC as a growth region and we've really put efforts into Japan, China and to some extent also India. I think it's -- we're very pleased to see that Japan is now growing or has been growing 126% within one year.

So in one year, we really cracked the code there, we have a fantastic team on the ground, winning larger deals now. But equally important that one of -- that the biggest market US also grew 46%, we have doubled down three years ago on our organization, we have added enterprise account managers, we've added or grown our mid-market team, we've worked on marketing, digital marketing but also brand building measures to some extent, and they all pay-off. So very pleased to see the US contribution as I said before, especially in the third quarter US came in with a very good flow of mid-sized larger deals, which we're very helpful.

Overall growth in Q3 for the U.S. slightly less than before, reason is just last year was a free-to-paid quarter there. And if we compare with that, that looks a bit small but if we take the 12 months view Americas, U.S. is one of our key growth drivers. So very pleased with that.

And as we -- as I covered before, the third growth initiatives is more use cases. So we've invested into new products since the IPO, you can see that in Tensor and in Pilot, very strong growth there. Pilot billings plus 46% on a 60% small base, but this is the type of growth rate that you would expect from a small base

Tensor billings, bigger base and also growing very nicely and also remote management. And so very excited with this as well. Three growth pillars, good progress on all of them and more to come on this.

We'd like to emphasize and we did during the IPO that we have a very, very unique combination of strong growth and profitability. In the past, they have business famous rule of 40 in the valley, which I think some time ago has moved more to rule of 60 or 70. There are high growth companies with some profitability or the other way round, and 60 to 70 is now -- more companies are around there. But with our growth profile and margin, we are more towards rule of 90 or 100, so very unique and we're very proud of that.

We've also tried to increase our addressable market, clearly it's a 30 billion market or will be 30 billion market in 2023, all the digitalization automation, remote control are drivers in this, so very important megatrend that drives the growth. But now with the acquisition of Ubimax, we have significantly expanded in -- expanded into AR and also into variables, and that has added from all the market studies that we have -- has added another EUR10 billion in market size, so very important.

So we sum it up. Since the IPO, we've really expanded our leadership in connectivity and we now, on the back of that drive our enterprise engagement, continue our regional expansion. And of course I'm very pleased that we have extra knowledge, extra competencies in workflows, IoT, AI through the acquisition of Ubimax, and want to make use of that as much as possible. And we are really looking forward to give you an update on all of these strategy elements and product elements during a Capital Markets Day, which we are intending to do early next year, so that you get a sense of what we offer and real life customer examples.

So with that run through, the performance and the last year, I would like to hand over to Stefan who will review stats on the financials.

23:49 Stefan Gaiser

Thanks Oliver, and welcome - warm welcome from my side as well. Well, I'll give a more detailed overview of the financials and the background towards our 2020 billings clients increase.

So if we take a look at Slide 10 as Oliver mentioned, I think we are very pleased with the results for the third quarter. It marks the first quarter post the pandemic related export demand which we experienced in the first six months. I think with that in mind, we were particularly pleased with the performance as the business continued to grow very strongly on the top line during the summer quarter.

On top of that as you can see, we continue to invest substantially across our growth initiatives and thanks to the business model, our profitability have remained at very high levels. Billings were up 34% on a constant currency basis, and I think as mentioned during Q2, the FX movements or the general appreciation of the Euro especially against the US dollar reduced reported billings growth to 29. And we are very pleased with this growth, especially on top of a very strong third quarter last year where we've been growing north of 60%.

And these together with the exceptional first half of the year, our nine months billing increased by 50% at constant currency rates and 48 at reported growth. Ubimax to be very transparent, contributed only about EUR0.6 million, but we only consolidated them beginning of September. So as expected there's more contribution from the team.

Q3 adjusted EBITDA grew 34% on a constant currency and 26% year-over-year reported, and nine months numbers by 61%, constant currency in 58% reported. We have hired about 370 FTEs or employees since the start of the year, of which more than 120 are engineers. And we also added nearly 150 employees across all sales functions. So we clearly continue to invest substantially in our future growth. The business model and the economies of scale allowed us to make those investments, and still maintain our industry-leading profitability. And in fact, we increased our adjusted EBITDA margin to 57% on a nine month basis.

So what's been driving this development, in particular if you look at the next slide and our subscriber base, you can see that the subscriber base kept growing strongly to 567,000 as of September end. This corresponds to an increased of 31% over the last 12 months. On a growth basis we added slightly more than 200,000 new subscribers during the last 12 months, which is actually pretty strong given that a significant amount of those subscribers are not previous perpetual customers, which migrate as subscriptions but entirely new customers.

That being said, we still successfully converted long tail of our older customer base and moved them to subscription contracts, which reflects stickiness of our product and continued usage of the same even across older customer cohorts. And as expected subscriber churn is up compared to previous quarters as we have been more forceful in some regions, in the modernizations of users in the previous 12 months, especially in regions like China and India.

I think we talked about that, at those markets you're paying more on free to paid monetization than others. Very glad to report that subscriber churn in Americas and EMEA, including core markets like Germany actually remained stable.

And as in the past, this churn primarily occurred at the lower end of the customer spectrum, including our new entry version remote access.

So more importantly and also I think as mentioned a few times in the past, our Euro value churn is significantly low below subscriber churn. Well, it's also worth mentioning is that the cohort of subscribers which we added during March and April when we saw the COVID related extra demand of high quality, high ACV basically which have been holding onto their subscription, so we haven't seen any early terminations from this customer cohort which is very good.

Let's take a look at the billings composition and the key elements of the reported growth. EUR106 million of total billings, of which 70% are renewal billings, including cross and upsell. And I think as we mentioned, our H1 earnings release we assumed that our peak H1 billings included the third element of pull forward demands, especially for upsell capacities. So despite this pull forward demand, which somewhat lowered our Q3 retention, despite this we are very happy to report a continued strong net retention rate of 104%.

And ever since moving to the subscription model, our net retention rate has been comfortably above the 100%, and I think demonstrates very well our ability to generate more predictable recurring billings and drive growth via up and cross-selling into a now very diverse and growing subscriber base. I think, especially with the broadened solutions portfolio, including Frontline the cross-sell opportunity into AR's even higher today.

Those business critical solutions are obviously deeply integrated in the customer workflows sticky and lead to higher in NRRs. And please finally remember that, we calculate our net retention rate already net of payment defaults and hence conservative, and do not adjust for currency moves which had a minus 1%

impact during the quarter. And as mentioned, the value churn remains significantly below subscriber churn, and that's also consequence of the growing portion of larger customers and it's comparably offset by up and cross-sell.

So if you take a look at the performance by region on next slide, I think Q3 has again showed beauty of our global business covering all regions and customer segments, and every region again showed a very strong performance.

Let's start with the Americas, 50% growth for the nine months and 27% for Q3. We consider this very good, especially since we did not run any free-to-paid campaigns in Americas in the last quarter, quite in contrast to Q3 2019. And most importantly, we had a very good and reliable pipeline conversion from the enterprise and mid-market team in the Americas. So very happy with that.

EMEA remained the largest of the three regions, with EUR48 million or delivering a 33% growth. Very good performance from inside sales and reseller team, which contributed nicely to the overall growth. And I think as you know, our enterprise business in EMEA was historically focusing on significant larger deals in other regions. And given the very strong and fast pipeline conversion during H1 I think we had a cautious view about expected Q3 contribution from that segment. And towards the end of Q3 and in Q4, I think was very good to see an increase pipeline progression and conversion, especially at the start of the fourth quarter and mainly coming from the mid-sized deals.

And finally APAC, very pleased with the growth there. Q3 billings growth has gained significant traction, its 51% year-over-year growth and 56% at constant currencies generating EUR16.1 million in overall billings. Mainly due to very strong performance particularly in Japan and China and across all sales channels, which is a clear sign that our brought investment into more sales, reps and local offices continues to pay-off there.

On Slide 13, moving on to the cost structure. GP margins pretty much aligned with last year, despite the significant investments into additional routers to deal with the increased usage and users of our platform. And we talked a lot about our growth strategy in the past, which includes significant investments across all of the functions.

I think it's -- I'm very pleased with the hiring progress and including the additions through the Ubimax acquisitions, our employees have increased significantly in last 12 month. Sales 56%, Marketing 57%, R&D employees grown by nearly two-thirds. And in addition and as part of us going public, we've significantly strengthened corporate functions such as G&A.

Those higher costs have been compensated by lower bad debts expenses in Q3 as well as year-to-date. So despite all the significant investments into product development, sales and marketing and corporate infrastructure, which will allow us to fully address our potential, we have achieved an EBITDA margin of nearly 55% in Q3, and 57% for the first nine month, which represents a significant percentage margin increase.

And turning to next slide. As profitability remains very high in Q3, so that our cash conversion it remains very strong as well. Net cash from operating activities before tax increased by 60% in Q3 and by nearly 90% for the first nine months. So very strong continuous operating cash flow generation. CapEx, including the new headquarters, which just moved in our new ERP system comprised roughly EUR18 million for the first nine months. And unlike last year, interests of around EUR11 million were paid in the third quarter, which kept our levered free cash flow at around EUR30 million this year. And for the nine month period the levered free cash flow has increased by more than 140%.

And this strong cash flow is also reflected in our leverage as you can see in the next page. We have achieved our net leverage targets of below two times already by the end of the first half of this year, six months ahead of plan. Net leverage has remained at two times, despite the cash consideration paid for Ubimax, which was around EUR84 million and that was fully funded basically by operating cash flows. I think a very good capital allocation.

And on the back of the significantly improved credit profile since the IPO, we also amended our loan facilities and improved our interest margin by 25 basis points across all term loans and actually by 50 basis points for the RCF. In addition, we also remove the Libor floor so overall we have significantly reduced our interest expenses as you can also see in our Q3 result.

So let me now before we come to the 2020 guidance talk about our CSR commitments and our achievements in sustainability and social responsibility. If we take a step back long before our IPO, we have actually taken measures to become a carbon neutral business, and we obviously see huge potential to contribute to global carbon reduction with our products and solutions. It's probably needless to say that, digitalization, remote control of devices and remote assistance with augmented reality help customers and users worldwide to reduce travel and utilize resources significantly more efficient.

However, to quantify this positive impact, we have actually now commissioned an independent study to assess this green handprint and we expect the results, which should be very positive to be available before the end of the year and then we are going to update you accordingly. And also to demonstrate our commitment, we have actually joined the United Nation's Global Compact Initiative this summer and incorporated all 10 principles into business policies and procedures to foster an even stronger culture of integrity.

Let's move on then to our guidance, to our increased for 2020. To wrap it up, following the very strong performance in the first nine months and the strong start into the fourth quarter, especially including the enterprise segment, we've increased our full year billings guidance from around EUR450 million to the range between EUR452 million, EUR455 million. This corresponds to 38.5% to 40% growth year-over-year or 40.5% to 42% on a constant currency basis. Please note that this increased guidance does not include the billings contribution from Ubimax, which we estimate to be around EUR3 million in the last quarter of 2020.

Revenue this year is expected to be at least EUR450 million, but not significantly above as the billings guidance increase will mostly only be realized as additional revenue in 2021. Adjusted EBITDA margin targets unchanged at around 56 and CapEx also unchanged to be expected between EUR25 million to EUR30 million again, mainly related to the new ERP and the companies -- and our new Headquarters.

So let's also turn towards 2021. As we all know, visibility remains more constrained than usual, given the environment. But nevertheless, we continue to benefit from those various mega trends around digitalization and sustainability, which have been accelerated by COVID-19 and will continue to drive our business after a solution to the pandemic will hopefully be achieved soon. So this generally positive backdrop, I think the successful execution of the IPO growth plan and the investments which we made to broaden and strengthen our sustainable business model, make us very confident that we will build on these achievements and continue our growth path.

So, notwithstanding the tremendous growth this year, we set ourselves ambitious targets for 2021 and aspire to grow 30%. This includes Ubimax but also the FX headwinds, which will reduce reported earnings by a couple of percentage points especially in H1 2021 as well as the positive impact of the increased contribution from Ubimax in '21.

So, to wrap it up, we operate in very attractive markets, very well positioned and want to take advantage especially of the unpenetrated growth markets in the fields of connectivity, of manageability and IoT.

And I think that concludes the presentation and we will now take questions.

Q&A

38:07 Operator

Dear ladies and gentlemen, we will now begin our question and answer session. If you have a question for our speakers, please dial 01 on the telephone keypad now to enter the queue. Once the name has been announced, you can ask the question. If you find your question's answered before it's your turn to speak, please dial 02 to cancel your question. If you're using speaker equipment today, please lift the handset before making a selection. One moment please for the first question.

38:26 Mohammed Moawalla (Goldman Sachs)

Thank you very much. Good afternoon, Oliver and Stefan, a couple from me. Maybe starting with the last point you made, Stefan, around hoping to grow at sort of 30% with Ubimax in 2021. Can you maybe just help us understand the shape of that growth? Clearly, you're going to lap some pretty tough comparatives in the first half of the year. So I'm assuming that's going to be fairly back end loaded. The second question is just obviously the gross churn was quite elevated in this third quarter, is now in sort of double digits for, sort of, two quarters. As you go through the next few quarters, particularly lapping, you know, the kind of the pandemic benefits...how do you balance...so, how do you expect this to progress? And then on the sort of the flip side, on Enterprise, it sounds like things are slowly improving. So what is your expectation around Enterprise and how important is it that the deal sizes really expand for you to kind of maintain that natural net renewal rate above the hundred percent mark? I mean, is there anything in your pipeline that gives us the confidence? Do you think that, sort of, the vaccine now will kind of restore decision making, normalcy as we move into '21? It will be super helpful if you can talk us through that.

39:15 Stefan Gaiser

Yeah, lots of questions. Let's try to address them one by one. And Mo, please chime in if we don't answer your questions in great detail. So first of all, the growth aspirations for next year and the timing and phasing of the growth. I think generally, we feel very bullish about where we are in our solutions portfolio right now, especially given this just close Ubimax acquisition. That being said, clearly Q1 and Q2 as you said, will be tough comps, right, I mean, Q1 closed 75%, Q2 nearly 50%. And as you rightly pointed out, therefore, the gross percentage growth will be more biased towards the second half, also reflecting that in H1 '21 we have to fight against some FX headwinds, right because FX, as they currently are will reduce billings growth in H1 2021 by a few percentage points. So therefore, percentage growth will be more biased towards the second half. Coming back to the gross churn or your second question, gross churn and value churn. I think it's important to differentiate between our subscriber churn, which is around the 15% mark, and our gross Euro churn. Subscriber churn has went up, primarily in the APAC region and pretty much lies around our expectations, I think we pointed out a few times that in India and China, those free users need a stronger push to convert into paying users. But they are not as sticky as our customers in Europe or the Americas and hence we see a larger subscriber churn there, but fully baked into our expectations. Important to know, though, that the value churn, i.e. our gross Dollar churn, which has remained largely unchanged. It's now around 10%, and it has been considerably offset always by up and cross sale. So from that perspective, we feel very comfortable. And now as we move more towards larger enterprises, I think we clearly made a step change this year by nearly tripling our customers with an ACV of more than 10,000. And especially the customer cohort in March, April, tended to be biased towards larger enterprises. This should allow us and certainly gives us significant headroom for further cross an upsell. And therefore, we should be able to continue to have a net retention rate north of 100%. Coming back to your last question, deal sizes, pipeline conversion, what gives us the comfort level? I think as we closed out Q3 and started Q4, it was very good to see that the level of discussions we had with customers, the regular deal flow across all regions, and pipeline conversion certainly helped us in understanding that there's probably more optimism out there. I think our customers have now come to grips with the pandemic or understand how to deal with it, and I think that resulted in a better pipeline conversion after the break, which we which we expected. And I think finally, what's also good, I think, as you heard us talking in the past, we had a separate enterprise team in EMEA focusing solely on those bigger ticket sizes, like 100k or more. And I think that was very successful, frankly, in the early days, because it showed the organization can make half million euro deals. Now with our significantly expanded solutions footprint, think IoT solutions, think Frontline solutions and enterprise team. We've actually put this under one leadership, under Lukas Bauer, which is with us since a year's time, I think. Now this join go-to-market has also and already resulted in better visibility, better pipeline management, and just a more streamlined approach overall. I think that gives us the comfort level which we need.

43:50 Oliver Steil

And I think I'd like to add from a deal size perspective, there is a good reason why we always show these two KPIs above 10 thousand Euro and the contribution of the top deals, because we really go both with both strategies and we follow both routes. As I mentioned before, one is really enabling all our inside salespeople, all our resellers, channel partners to really go above and beyond, I would say, a typical corporate license with a few add on channel, which would sit between three and five thousand Euros. So really make them aware of more functionalities, the value of Tensor, of Single Sign On, conditional access and so forth. And across the whole sales system, any region get a significantly higher number of these five digit years. So that's clearly an important driver of our success. And we also know, as Stefan mentioned, that these deals which are above 10k, these customers are typically very sticky, there's more upsell, cross-sale potential as we go along, because it's a different use cases, different set of functionalities that are needed by them. The pricing of these customers, the Tensor pricing there is also linked to number of users, number of devices, and therefore has better upsell potential. So that's one element. And at the same time, we have the dedicated enterprise account managers to really drive six digit deals, I would call them. Both initiatives are important, but we do not depend on a single, or few single, big, seven digit deals, or so, to make our numbers. It's really a much broader motion across the whole company.

45:35 Mohammed Moawalla (Goldman Sachs)

Thank you, Oliver. Thank you, Stefan.

45:48 Stacy Pollard (Morgan Stanley)

Thank you very much. A couple of questions from me as well. Can you give us a sense...you were talking about a lot about enterprise...can you talk about the enterprise billings number? Approximately what percentage of the billings is that, year to date? What would you anticipate into 2021? And, then, is there more to say about other go-to market channels, either inside sales, webshop, etc? Or is that...or the channel for that matter? Or is that sort of less important relative to enterprise? And then second question, how sustainable are the EBITDA margins? If you're investing quite a lot in enterprise and expanding there, plus you're expanding into new product areas, especially developing out your AR, AI products, etc? How should we think about that, sort of short term and long term?

47:07 Stefan Gaiser

Yeah, let me take those two questions. Thanks, Stacy. A, first of all, billings. I think overall we are coming clearly from a low base in the enterprise business. But as businesses outpaced the remaining growth and shifts very clearly, as Oliver pointed out, in terms of overall billings contributions, probably sitting at a 10 to 15%, reflecting the very large SMB install base, we're having. That being said, as percent of new businesses or new licensees, it is probably around the 20% mark, and growing significantly faster than the remaining businesses. So that's the overall footprint of the enterprise business. And as you can see, it already became material now with 10 to 15%, of overall billings contribution, I mean, really driving...driving our strong net retention rate. In terms of overlay enterprise channel. I think the channel was more opportunistic in the past, I would say. It was more, like, carrying the paper, frankly, in some regions where we didn't have sales people on the ground or couldn't do business for VAT reasons, all of the likes...we are now engaging much more strategically with the resellers, we have significantly increased the number of resellers we have onboarded, also taking into account new resellers in IoT and AR. But there still ways to improve that? I think in some countries like Japan, for example, we've been very successful with really adding high-end resellers to our business. And I think going forward, it will be...the reseller business will be more a contributor to our overall enterprise footprint than a separate go-to market channel from my perspective. And then margin expansion...

48:10 Oliver Steil

Maybe to add on this, because you were also asking inside sales. Inside sales continues to be extremely important for us. It's really...it's a machine it's super...it's well-oiled, it's running very smoothly in all of the three locations: Germany, for …, so here in the headquarter covering all of Europe, and then Florida covering all of Americas, and Adelaide covering Southeast Asia. And then actually a few people in Shanghai now as well. And I think whenever we are playing the full, go to market approach, we are very successful and very resilient also. So if you look for example, at the growth numbers in Japan, I think the secret of success in Japan now is that we have a very dedicated high-performing inside sales force. The new leader in Japan based out of Tokyo has successfully cracked some key reseller relationships and we are seeing the first enterprise use coming in with some direct sales force, so account managers there. So this is...this is really the business mix. Clearly the growth potential in enterprise is very significant because of the ticket sizes and whether it's a big deal of 90k, 100k, or whether it's a few smaller deals around 15, 20k, all of this is significantly bigger than what we have sold in the past. So the motion of adding enterprise people, further training inside sales to drive bigger tickets, and addressing channels more holistically, strategically - all of that together gives us multiple growth levers and creates resilience and momentum. The I think most prominent example on channel would be Americas. For long, not a focus at all, now that we have a very seasoned channel person that we hired, I think half a year ago, we're starting to see traction. So there's so much whitespace to grow into, if we address these places with the right people that we feel very confident to be successful across many go to markets next year.

50:25 Stefan Gaiser

And then on the second question: margin and margin development. So I think fundamentally, what will happen next year is GP margins are going to stay at 91, 92% levels. So no major changes there. I think if you follow us into few years, I think every year that had a specific investment theme. Clearly in 2020, we significantly expanded our R&D organization, we added 120 engineers. So, I think it was an important step for us to really invest into the future. I don't expect the R&D invest or the FTE headcount increase will remain at that paces within R&D. Probably the same for sales. Clearly, since 2019, and 2020, we've substantially invested into additional quota carriers and state support functions, presale engineers, retention teams and the likes on a global basis. So we've upped our sales team substantially now, there are 250 quota carriers or more on the ground. So very...we feel very good there. We continued to add - but again, probably not at the same pace - I think where we probably spent more is clearly in marketing, to actually increase our … or the awareness of our new solutions, especially around augmented reality and IoT and enterprise solutions. I think there, we can and should spend more. And that might be a line item, which...where we see an increase next year, but easily within our financial envelope, which we developed and communicated over last year. So any scale effects which we will see in R&D and sales will probably be invested into marketing spend. And G&A, I expect that G&A remains at the same level as last year and bad debt long-term basis should be around 2 to 3%, as it currently is. And if you add all of that together, we should be at around the same margins as last year, because Ubimax will have a slightly dilutive impact next year because clearly they haven't been at our superior EBITDA profitability level. But we can afford that. It still maintains the same margin for the overall business.

52:40 Stacy Pollard (Morgan Stanley)

Great, thank you.

52:50 George Webb (Morgan Stanley)

Good afternoon, Oliver and Stefan. Other couple of questions, please. Firstly, around 30% growth target for next year. Can you talk a little bit about the assumptions you're making within that, specifically on the churn side? I guess in this macro environment, one of the big risks is what happens to SMB bankruptcy. So any color on the assumptions you're making on that would be helpful. And then secondly, on the uptick in subscriber churn around the likes of India and China, is that higher churn a trend you expect to continue seeing moving forwards? Or, are there any actions you can take, in turn, to try and improve retention on that part of the customer base? Thank you.

53:58 Stefan Gaiser

Sure. So on the churn side, when we put together our target for next year, we clearly have now a couple of years of experience in terms of which country, which license pipe, which kind of intensity, what kind of churn this triggers. So I think we have a very good understanding, I think our churn numbers and our renewal numbers have always been pretty much bang on. That being said, we also took into account a slightly increased number of churn in our planning assumption, especially reflecting the circumstances you just mentioned, George. And we've also reflected a higher churn from those countries. As you mentioned, APAC, in China and India region, we already anticipated that, this year, that we have a significantly higher local churn because we've seen that in the previous years, and we didn't expect any significant retention improvement there. So I think that's all been well-baked into our aspiration of 30% growth. Clearly if we were to see any significant deterioration, then we would need to revisit, but I think we feel very comfortable with our churn assumptions going into 2021. And then maybe on APAC, I think, yes, can we do something to improve there? I think it's really...in India, I think we've been telling you investors that this is tough market to monetize free users. So from our perspective, it doesn't come as a surprise that we see a higher churn there. In China, it's probably two different markets. On one hand, you have the very low end market, which the moment you monetize, they try to get away and find a new, cheap, version. That is the customer segment where you see very high churn, and they are not also willing to enter into subscription contracts, frankly, they prefer a one time payment and be done. And then on the other hand, you have, like, the larger enterprises, which sign up for larger deals, which is a relatively new market for us. And we haven't had the huge amount of subscription contracts they are, but there, we clearly see much more similar churn rates than in more mature markets like EMEA and the Americas.

55:35 Oliver Steil

Yeah, I think it's important to know that it's a maturity point as well. So in terms of where are we in those markets...because if you look at the...our growth pattern in the past, a certain element of our growth is clearly converting free users into paid users. This is the entry segment, relatively small business licenses, then a significant chunk of these customers over time, migrate to larger or upgrade to larger licenses, which brings churn down - these are the more stable cohorts - and then once we get into reseller business, and the larger enterprise business, the churn is significantly lower. So as a matter of fact, in countries like India, China, and other South East Asian markets, we are much more in this first step of growth versus Europe or Americas, and therefore there is imbedded slightly higher churn rate. Some of that will go away over time, because we are re-qualifying our customer base focus on the ones where we can upsell, lose some at a low end, and over time, the quality of the customer base will increase and insurance will come down. That's clearly visible in other geographies, as it happened.

57:18 George Webb (Morgan Stanley)

That's helpful. Maybe just a follow up on one final area. In terms of the free to paid campaigns. I know you started to turn those back on in some Western European countries and China. I think that's what you flagged for the second quarter. Where are we today in terms of those campaigns?

57:34 Stefan Gaiser

So in the third quarter, we have done campaigns in Europe and in some other APAC countries. And we have not done anything in in the US, which is, of course, a huge market. If you remember last year, Q3, we were running campaigns in US, which significantly contributed. We have been able to achieve the Q3 results, very strong results, without any free to paid campaign in the US, which is remarkable as well. We are now, as we speak...or we have run campaigns in the US, starting with the fourth quarter. And the behavior we see, and the contribution we see is very much in line with what we have expected in the past, so... That's also one of the reasons why, together with the Enterprise performance in in the start of Q4, and all the other developments, we see that's also the reason why now, with six weeks to go, we feel very confident about the year end, despite all the macroeconomic uncertainties around us.

58:18 George Webb (Morgan Stanley)

Very helpful. Thank you.

58:30 James Goodman (Barclays)

Good afternoon. Thanks very much. Yeah, sorry, this is a bit of a straightforward way to try and reconcile a few of the things that we've been discussing, but just trying to look at the Q4 implied growth rate for this year, that's reasonably below the growth rate that you're now expecting for next year. And I appreciate there's no seasonality element here with the renewals being a bigger proportion of the Q4. But at the same time, as I should think about, you know the shape of growth, you're also saying that next year, you'll expect growth to be significantly weighted to H2 - so, well above 30%. So, it feels almost like we're expecting H2 or Q4 next year to be a higher growth rate than this year, despite the higher base. So I'm just wondering if there's anything I'm missing there in terms of the mechanics? And then just a couple of quick ones. Ubimax signed some good deals straight away at the end of the quarter. Just wondered if those were cross selling deals at all, or you know, whether there's any benefit from already, whether you're starting to see some fertilization of your own customer base. And finally, I just picked up on the Microsoft team's announcement earlier in the quarter. Is that just the product integration and technical integration? Or is there some potential for business model opportunity around that specific integration as well? Thanks.

1:00:25 Stefan Gaiser

So let me start with Q4 and the implied guidance. If you take the upper end of our guidance at 455, that would imply a 23% growth basically on reported basis. Now, let's bear in mind that we clearly have the FX headwinds in the fourth quarter, in Q3 there was around five percentage points. And despite that, our implied guidance will be 23. So if you add the FX movement on top of that, it would be 28, 29 percentage points growth, which given the high renewal base in the fourth quarter is actually pretty good growth rate overall. We also had - and as we mentioned, we clearly had some pull forward effects right, in Q1 and Q2 this year, where customers who would have been up for renewal later in the year actually had the need to buy more seats and more capacities and actually bundle that into a renewal of the subscription contracts. And that obviously has a slightly negative impact, or as we've...could already see in Q3, but despite that, we are aiming for an underlying growth of high 20s in the fourth quarter. And now, with regards to the waiting for next year, in H1, we clearly have some more FX headwinds, right, if those rates remain the same, it will reduce our reported billings in the first two quarters, frankly, until we are the same level playing field again. And I think if you take a step back, what are the key drivers there? I think we feel very confident about our solutions portfolio, and our unified go-to market approach. Now in EMEA, we've significantly expanded our sales capacity in that region during the last three to four quarters, we see very good customer engagement and pipeline progression now. And that should clearly accelerate in the second half of 2021. I think you put all of this together, the building blocks and the pipeline, that should result in significant enterprise contribution, the second half of 2021.

1:02:16 Oliver Steil

And then maybe to your next question? Ubimax...so I think, to be honest, this was Ubimax's pipeline so far, and there was no relevant cross sale yet. Definitely not in Q3. About these different companies, what is the case, of course, that, just the mere fact that Ubimax is now part of the TeamViewer group, reportedly by the Ubimax people, that that is easing, quite some...or has been easing quite some concerns with new customers, right? So the what they reported in the past is, while the solution is absolutely stunning, and really allows for significant value add and high ROI, the question when they were a standalone company around, well, okay, you Ubimax, you have a fantastic product, but you are small, and how long are you really going to stay? That question has completely gone away now, as being part of TeamViewer you can basically just detect...tick that box and say, okay, part of a larger group. Of course, we also are making very clear to customers that we are applying all security...the security posture, GDPR and everything else, to be Ubimax group. So I think, again, that drives a customer apportion. So that was certainly helpful from a communication perspective and from being part of a larger group perspective, but not...no real cross sell deals yet in Q3. Now in Q4, it looks slightly different, we have more often the situation that salespeople go together to certain companies and present the relative...the solutions of each other. So just yesterday, we had a deal in India, where the TeamViewer salesforce presented Ubimax

Frontline and we were able to win this deal. Five digit, small five digits. So this is starting to happen. What I think gives us a lot of comfort is that, overwhelmingly, customers are very interested...TeamViewer customers are very interested in the Ubimax portfolio because it's really the next natural step for better workflows involving workers in the frontline, and the solutions suite. We just make a lot of sense to customers. All of those the sales cycles are of course - this is not weeks, we're talking months - because the switch with digitalization projects, and I think the excitement on the customers' side is high. And likewise, also one of our key partners Apple, that we do a lot of work with for TeamViewer Pilot, so the augmented reality product on smartphones and tablets, they're also very excited because with the Ubimax solution portfolio that brings tablets and smartphones into industrial processes, which is which is very interesting for them, now that they built the AR functionalities on their phone, with the Lidar on the phone. And the same is true for Android operating systems with the AR functionality. So that's very good...very good movement on this one. So early days, but very promising from what we hear from customers and partners alike. And to your last question Microsoft Teams. This is not a commercial integration, as you rightly point out, this is technical integration. It goes along with our general strategy: make TeamViewer available where companies use other software products. As you're aware, we have integrations with Salesforce, ServiceNow, Soho, Zendesk, you name it. And we also have Microsoft Intune integrations. Now, getting into Teams, of course, it's a big step forward because of the broad usage. It is video collaboration, and meeting. While our Pilot product is really an augmented reality, real life support proposition, putting that together means can customers, or TeamViewer teams, users can then experience TeamViewer Pilot and if they choose to use it more regularly, they would buy a license for our product, which is the bring your own license concept which we have been very successfully using over time. That doesn't mean that this integration couldn't become more commercial over time, but nothing like this yet, what we see if we go...when we go into enterprise situations, the question of integrations is a very important one. And it's a big differentiator versus lower end competition when we can a, talk about GDPR compliance; b, talking about security and; c, all this...talk about all these integrations that our enterprise customers need. And that makes us win these deals.

1:07:08 James Goodman (Barclays)

Perfect, thank you for the detail.

1:07:32 Ben Castillo-Bernaus (Exane BNP Paribas)

Hi, good afternoon. Thanks for taking the question. I'm just asking you how much overlap is there between yours and up Ubimax's enterprise pipeline, I'm trying to gauge you know, how big the additional pipeline can be as a result of Ubimax versus Ubimax helping your existing pipeline opportunities. And I guess a follow on from that would be looking at your current enterprise customer base. You know, how much of that customer base can be a target for cross selling to Ubimax products down the line? Again, trying to gauge the potential overlap...is it small, sort of sub 10% of your footprint? Or can the potential footprint overlap, be more meaningful than that? Thanks.

1:08:14 Oliver Steil

Yeah, I think generally, either the overlap is very, very minimal. I think both pipelines relative to the addressable market is small, and even smaller is the overlap. There's very, I think...single cases where we have been active in the market as TeamViewer with our Pilot product, and Ubimax customers were looking at it. And now we of course, bring that together into a combined proposition. But generally speaking, I would describe it as both companies with their technology and features and solutions going together and developing pipelines. So we clearly on both ends in pipeline build mode, and it will just be fertilizing each other as James had put it.

1:09:00 Ben Castillo-Bernaus (Exane BNP Paribas)

Okay, thank you.

1:09:18 Andreas Wolf (Warburg Research)

Yes, hi, thank you for taking my question, the first one would be on the competitive landscape. Have you seen any special or particular behavior by your competitors as you are implementing your free to paid campaigns? And then the last and second question would be on the verticals buying Tensor in Q1, Q2, and Q3. Have you observed any particular patterns here that would maybe provide you some insight and us, as well, with regard to the use cases. Thank you.

1:09:50 Oliver Steil

Yeah, I take the first one. The competitive landscape has not really changed. You were asking about free to paid campaigns specifically, whenever we run free to paid campaigns, effectively, what we do is we force users in, a way, quote/unquote, to choose whether they want to have a paid license or not. In that moment, clearly, some decide...some decide to buy, some decide to walk away, and some decides to buy, but look for the cheapest solution out there in the market. So that's happening. And of course, depending on geography, there's a few players that benefit from that movement. So when we run a campaign in Europe, then there are a few lower end competitors that benefit from it, in the US same thing. And also in APAC. So that's, normal course of business, no change, no significant...significance in the competitive movement. Every time we do it, competitors get a sense for it relatively quickly, because there's always a bit of noise in the social media channels, and then they try to put out offers...special promotion offers to win over these customers. That's a known...that's a known element to our market. And we know very well how to deal with it. On the vertical pressure, maybe...

1:11:25 Stefan Gaiser

Yeah, on the vertical, I think, clearly very horizontal business. And we've always been horizontal, and our solutions cater towards all the customer segments, we did have a few gaps, I would point out clearly financial institutions were in the stronghold of us. And in Q1 and Q2, I think we extended our footprint in pretty much across all verticals, obviously, except in those which has been significantly affected by the pandemic, like the travel industry and tourism industry. But that was never a big vertical force anyway. So I think, overall, very broad in terms of the verticals, moving into financial institutions, and also government, we've seen quite a few government deals that includes local government and municipalities in Q1 and Q2. I think we've built on that successfully. And that's tends to be a pretty sticky customer base with significant up and cross sale potential. And then maybe in terms of use case, I think there were two different kinds of main use cases leading Q1 and Q2, obviously, enable your workforce to work remotely that was a big driver, right, with immediate demand which had to be fulfilled. And then secondly, I would say digitalization of the entire device management and with device management, I mean, more like industrial devices. Imagine you need to manage your POS safe terminals at an airport or the likes or in the shop floor, covering and maintaining health care devices and the likes...I mean, those are really the kind of industrial devices where I think...where we stand out in terms of how to remotely control and manage those devices. And upon controlling, managing those devices, digitalize your business processes. I think those were for me to kind of two key pillars in Q1 and Q2. And second one, I mean, mentioning your industrial devices, digitalized business processes, that is now clearly benefiting from the...from long term trends, which we will discuss a few times.

1:13:24 Andreas Wolf (Warburg Research)

Great, thank you.

1:13:36 Victor Cheng (Bank of America)

Hi Oliver and Stefan. Thanks for taking the question. Just two quick one. So first, focusing on the customers you acquired during the first lockdown, around March, April, you mentioned just how it's good more towards larger users, they're stickier. But I assume there's a long tail of SMEs and you know, still free users that are using the product. So do you have any data on you know, how they have been monetized so far? And what are we seeing on that side of things? And then the other is to follow up on some of the questions people have asked on the free to paid conversion. Historically you alluded to the number of the contribution to about 15, 20 million of billings. And obviously now we're assuming in EMEA and APAC and now in US and Q4. Is that still the ballpark number about 15, 20 million? Or do you see a higher contribution since a lot of free users...new free uses during the lockdown?

1:14:39 Stefan Gaiser

Yeah, So I think first of all the customer cohorts which we won in Q1 and Q2, they've clearly been more biased towards higher ACV, higher value contracts. And we did not, as you know, we didn't monetize any of the free users, right? So this was really customers which we want. Some of them might have been free users unknowingly, or didn't know our license condition, or the likes. But mainly, those customers were coming because they had an immediate demand basically, across all verticals. And with significantly higher ticket sizes, right? I mean, if you take a look at our enterprise stats, the number of customers, this contract value is worth 10,000. We made a depth change in Q1 and Q2. And now by the end of the year, we nearly tripled those numbers. So very strong and good customer cohort we won during this time. And now your question was, how about the long tail of your SMBs I would say, probably more like, your question was about the long tail of the free users which we haven't monetized, and how do we...how do we deal with that? I think we've been very considerate, in the sense of how do we monetize free users, have we suspended the free usage, the monetization of the same in the first six months, then we did run campaigns, again, in EMEA, and in APAC. Across all devices, I would say, but in a very short timeframe, yeah? And we also made sure that we basically covered devices, which use TeamViewer for quite some time. So I think overall these things were considered and also reflected the economic circumstances some of our users are in. And the same is...holds true for the Americas, yeah? We run the campaigns, but we do it on a considerate basis. And that leads me to the second question in terms of the overall free to paid potential. Yes, it was around 15 to 20, sometimes a bit more, 2019 was a bit more. And now the way how we run those campaigns, I expect it to be again in that in that region. Hopefully that answers your questions.

1:16:43 Oliver Steil

To the kind of point of Stefan being considerate, I mean, we...we really explicitly accepted that some free users will come, will use us for some time, peak usage, and will then go away, and we will not be able to monetize them. I think that's the decision we took. It would have been easy to force them to pay in the moment of biggest issues, so to say. We've not done that as a contribution to society, so to say, and let those people go. Those people who were sticky and...and embedded TeamViewer into their business processes and use cases, those people we worked with, then asked to buy a license. And that showed the same success rate and behavior that we had before, in a way. So if you wish, we had an overlay...an additional overlay of free users that came, we didn't charge, went the way with zero effect on our billings. But we had good conversions of a certain percentage, and that drives also the outcome. But that's very comparable to what we've done in past years.

1:17:55 Victor Cheng (Bank of America)

Got it, thank you.

1:17:59 Operator

If there are no further questions, I hand back to the speakers for closing remarks.

1:18:05 Carsten Keller

Well, thank you, ladies and gentlemen, for your contribution, your questions, your attendance. And if there are any further questions, please reach out to the IR team. And thank you very much.

1:18:15 Oliver Steil

Thank you.

1:18:16 Stefan Gaiser

Thank you all.

1:18:19 Operator

Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may disconnect