TeamViewer SE

Q2 2024 Earnings Call

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Transcript

Speakers:

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Bisera Grubesic

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Good morning, everybody, and welcome to TeamViewer's Q2 2024 Earnings Call. I am Bisera Grubesic, VP Investor Relations at TeamViewer. And I am joined today by our CEO, Oliver, and CFO, Michael. As per usual, Oliver will run you through the quarterly business highlights. And in the second half of our call, Michael will present the Q2 financials. And the presentation will be concluded by a Q&A session.

Moving to the next slide, please note that you can find the Important Notice and the APM disclosure on slide two and three. And with that, I hand it over to Oliver to kick off our call.

Oliver Steil

Thank you, Bisera. Good morning, everyone, and also a warm welcome from my side. Thank you for joining our Q2 2024 Earnings Call. Let us kick off with the highlights of this quarter. We delivered a strong performance in the second quarter, with particularly good results in the Enterprise business and the Americas region. After attending relevant events and conferences to build our pipeline in previous quarters, especially in Q1, we now successfully converted the pipeline into larger-volume and longer-term deals.

From a financial point of view, second quarter revenues increased by 9% year over year in constant currency, with continued growth across all regions. We also continue to deliver on profitability. Our adjusted EBITDA margin improved sequentially, and we achieved a strong 41%, while we continue to invest in the Enterprise growth.

Speaking of Enterprise growth, the second quarter saw strong double-digit Enterprise revenue growth of 21% year over year in constant currency. Enterprise pipeline conversion was very good, and we were able to replicate successful use cases across industries, win large new customers and expand existing contracts.

In this context, we also noted a growing customer interest in operational technology and Frontline use cases. Meanwhile, our already strong net retention rate further increased to 116%, and we increased our Enterprise customer base to now over 4,300.

Another notable development is the Americas region. If you take a step back and remember that we were rebuilding our teams amidst a particularly difficult macro environment there, our new structures in the region are delivering success, as emphasised by our double-digit reported revenue growth in billings in the second quarter. We won new logos and were able to sign higher volume deals with interesting use cases. And some of them I will present in more detail in a few minutes.

Before I move on, let me briefly touch on the cybersecurity incident we were confronted with at the end of Q2. As you are aware, we were attacked by a sophisticated threat actor. Immediately upon detection, we activated our incident response team and procedures, started investigations together with a team of globally renowned cybersecurity experts from Microsoft, and then implemented effective remediation measures.

Based on the results of our diligent investigation, we concluded that the incident was contained to our internal corporate IT environment. This means neither our separated product environments nor the connectivity platform or any customer data were touched. Our products have been safe to use at all times.

Let me remind you that we have made substantial investments in security over the last years. That clearly paid off during this incident. Our cybersecurity posture is already best in class. Therefore, we could act swiftly and take the right measures during the incident. As security is core to our DNA, we will continue to invest in it going forward. As a consequence of the incident, we implemented further strong security protection layers, such as hardening authentication procedures for our employees to a maximum level and a full zero-trust approach.

At this point, I'd like to really take a second to thank our own colleagues in the IT and the security teams, as well as Microsoft cybersecurity experts involved. It was their commitment to protecting our system and our transparent communication about the incident that ensured our customers' continued trust in our products.

We did not see a notable decline in the usage of our software around or after the incident. Customers that we spoke with during and post the incident were appreciative of how we handled it. Based on our current internal financial materiality assessment, the damage is limited to investigation and remediation costs, and we do not consider this incident to be material.

Now back to our Q2 highlights. From a financing perspective, we further optimised our maturity profile by extending our €450 million revolving credit facility with two more years to now 2029. This obviously reflects the confidence in our business model and strategy.

And to wrap this up, with a strong second quarter in the books, we have continued confidence in achieving our guidance for the full year 2024, and we are continuously recognised for our progress and development by third parties and partners.

We recently won the Microsoft Partner of the Year Award for our integration with Microsoft Teams, and only this week, industry analysts have recognised us and our Frontline product as market leader for Connected Worker platforms in the PAC Innovation Radar. We are incredibly proud that our relevant use case and strong partnerships have led to that achievement.

Let's now have a look at the annual contract value split of our SMB and Enterprise billings over the past 12 months. As you can see on the right side, the highest value segments were the drivers of the overall strength of LTM billings in our Enterprise business. Contracts with an annualised value of over €200,000 grew by an outstanding 60% over the last 12 months, and the second highest segment of €100,000 to €200,000 also saw strong double-digit growth.

This development was driven by a successful conversion of deals across the board, including Tensor OT, so for operations technology, and Frontline use cases. This underlines the persistent relevance of our solutions and our strong position as a partner for digital transformation in the Enterprise space.

So, to the next slide, let's continue with a look at our performance in each region and the breakdown of our customer categories. It's good to see that measured in constant currency, all regions and segments contributed to revenue growth in this quarter. We continue to experience, however, an unchanged demanding macroeconomic climate. We continue to see a delay in customer decision making, and we also hear this more broadly in the industry now. But, of course, we continuously build on our pipeline.

EMEA, our largest region, recorded the highest revenue growth at 9% year over year. Revenues in the Americas increased by 8% in constant currency. And in APAC, we faced considerable FX headwinds that impacted the revenue development on a reported basis.

Looking at our customer categories, we recorded strong and continuous growth in our Enterprise business, as already mentioned in the beginning, with a 21% increase in revenue compared to the previous year and in constant currency. Our SMB business saw a revenue growth of 6% in constant currency, building on the strong basis from the previous year. Consequently, our Enterprise business now accounts for 21% of total revenue.

Let us now look at the customer wins and attractive use cases that I've mentioned before. On this slide, you can see three Enterprise customer examples, one from each region. I want to highlight these particularly because these companies are not, or at least not only, using TeamViewer for IT support. They illustrate nicely that TeamViewer is used for more and more OT use cases and how we are able to scale these across different industries.

The first one, the Performance Food Group, is the leading distributor for the food and beverage industry. They run industrial refrigeration units, which you can imagine as huge, cooled warehouses across the country, as part of their distribution network.

And they use TeamViewer to connect remotely with these units for maintenance and troubleshooting. This makes their operation smoother and faster, and at the same time, more secure. This customer had more than 25 small licenses, and we helped to consolidate them into one larger Tensor license. Now, they benefit from Tensor's Enterprise grade security and, of course, easier license management.

The next customer here is Betfred, a bookmaker with over 1,600 High Street stores across the UK. Their IT team uses Tensor to support the in-store devices in the shops and quickly help their colleagues if there is an issue. So, TeamViewer ensures that store operations always run smoothly, and the business isn't interrupted, and the store staff have more time to take care of customers instead of dealing with IT equipment. Additionally, Betfred had high security requirements, and therefore opted for our Conditional Access feature to make sure that only authorised admins can access the in-store devices.

And thirdly, I'd like to mention Amada, a manufacturer of metalworking machines in Japan. They ship their machines to customers worldwide and wanted to improve their aftersales service. With Tensor, they can easily and securely access and troubleshoot the machines from afar and reduce machine downtime for their clients. And they also use the integrated Assist AR feature to get a live video feed of the issue at the customer site.

And I picked this case because it's the perfect example of how TeamViewer is becoming a crucial platform for many technical support centres all around the globe. We have a very attractive offer for companies that want to build a best-in-class aftersales technical customer service today.

So, to the next slide. In addition to the Tensor OT use cases, I brought two examples of customers that use our Frontline solution for vision picking in their warehouses. Both are deals from the US from last quarter, underlining the Enterprise momentum that we saw in the Americas region recently.

The first example is a global leader in the consumer goods industry. The company transformed its warehouse picking by replacing the outdated technology they had before with our flexible vision picking solution. They estimate a 7.5% increase in efficiency. And if you know the logistics business and the tight margins there, this is a huge improvement for them.

The other customer, on the right side, is also using Frontline for warehouse picking. It's a large pharmaceutical champion from the US, shipping around the globe. They chose TeamViewer especially to achieve the highest possible accuracy when picking their orders. This is the main goal, to reduce errors to zero when you ship pharmaceuticals to patients around the globe. Important to mention that this customer also chose us because they are flexible to roll out our solution to additional warehouses. And this is easily possible with Frontline.

And with this, let me hand over to Michael for the Financial Overview. Thank you.

Michael Wilkens

Thank you, Oliver, and good morning to everyone in the call today. Let us now have a look at our financials for the second quarter and for the first half year of 2024. Next slide, please.

We are satisfied with our strong results in the second quarter. In particular, I am pleased to see that we have been able to grow our revenue whilst we also maintained our best-in-class margin profile. Our Q2 revenue was €164 million, including FX headwinds from prior year billings of more than €3 million. In constant currency, revenue grew by a strong 9% year over year.

Billings grew by 5% year over year, both reported and in constant currency. Billings growth reflects a strong pipeline conversion in Enterprise, higher deal volumes and a higher contribution from multi-year deals with upfront payment. This is a clear sign of customer confidence in our solutions.

ARR, based on billings, increased by 7% to €667 million, and our total NRR was 102%. The decline of seven percentage points year over year was particularly driven by FX effects, a lower net upsell from SMB to Enterprise and lower priced apps. Sequentially, NRR was largely stable.

Our adjusted EBITDA grew in line with revenue by 6% to

€67.5 million year over year. Our adjusted EBITDA margin was strong at 41%, slightly above our expectations. Excluding the negative effect from FX headwinds on revenue from 2023 billings of minus one percentage point on the margin, adjusted EBITDA margin would have been 42%.

Our levered free cash flow was also strong, with a 29% increase year over year, as we had significantly lower payments due to the revised scope of our sponsorship partnership with Manchester United. Our adjusted EPS increased by 8% to €0.24 due to the lower shares outstanding from our ongoing share buyback programme. After this high-level summary, let us now go into the details of our Q2 results. Next slide, please.

As you can see on the top left chart, our revenue grew by 9% year over year, corrected for FX headwinds of €3.3 million from previous year billings. Our adjusted EBITDA of €67.5 million was up 6% on a reported basis, slightly better than what we expected.

We continued to invest in Enterprise, in particular, into our Enterprise sales teams, as well as into our customer platform and Frontline deployment, whilst we managed our costs in other areas, in particular, marketing and G&A. This resulted in a strong adjusted EBITDA margin of 41%.

Our billings increased by 5%, both on a reported basis and in constant currency. This particularly reflects the strong pipeline conversion in Enterprise in the second quarter. We converted customers with larger deals and also gained new customers, and Americas had a strong execution this quarter, as Oliver explained already.

Billings from new subscribers have consistently shown a significant growth for the third consecutive quarter, up 26% in Q2, which highlights our ability to attract new customers, even in a challenging macro environment. Additionally, multi-year deals with upfront payments increased by €2.7 million year over year to a total of €17.4 million in Q2. This increase is attributable to a considerable demand of new customers for long-term contracts, which we see as a vote of confidence in our products and solutions.

For multi-year deals, please let me remind you, we expect the full year contribution from these type of deals to be significantly lower year over year. We now expect a range around €55 million to €60 million. In the first half of 2024, multi-year deals with upfront payment were €4 million lower year over year. This means that we expect negative year-over-year contribution of multi-year deals with upfront payment in H2. Let us now continue with our SMB business on slide 13.

SMB revenue increased by 6% in constant currency to €129 million. This development was supported by pricing adjustments implemented over the past 12 months and our growing subscriber base, which reached 638k at the end of the second quarter.

SMB billings were stable on a reported basis, as well as in constant currency, against a very strong comparable basis. As you might remember, last year's SMB billings were up 12% in the second quarter, fuelled by multi-year deals and monetisation campaigns.

ASP was slightly down to €838, largely driven by mix effects, as the majority of the new subscribers in SMB have entered in the lower SMB value range. Subscriber churn was slightly up to 15.7% in the second quarter. The sequential uptick of 0.4 percentage points is mainly the result of increased free-to-paid conversion activities in Q2 last year. Let us continue with our Enterprise business on slide 14.

We delivered a strong performance in Enterprise. We notably increased our Enterprise customer base to now over 4,300. This is an increase of 10% compared to 12 months ago. Our Enterprise ASP on an LTM basis was solid at around €34k in Q2, which in relative terms is an increase of a few percentage points sequentially. With this development, Enterprise revenue grew by a very strong 21% year over year in constant currency to around €35 million.

Enterprise billings in the second quarter grew by 29% year over year, both reported and in constant currency, to €37 million. We are pleased with this development, which is based on a successful conversion of our pipeline that we have consistently built through our previous quarters. Particularly in Americas, billings benefited from a number of larger customer deals and from an increase in multi-year deals with upfront payments.

Enterprise NRR significantly increased by eight percentage points sequentially to 116%. This strong development was partially driven by cross- and upsell from existing customer base, as well as the strong development of multi-year deals with upfront payments.

To conclude, we are pleased with the strong execution in the second quarter that builds on all our initiatives and hard work throughout the first half of the year. This development is a clear signal that our transition towards a more

Enterprise-focused company is on the right track. I will continue with a look at our cost base on slide 15.

Our adjusted EBITDA grew by 6% year over year in Q2, which is in line with the reported revenue growth. With this, our adjusted EBITDA margin remained stable year over year at a very strong 41%. Adjusted for FX headwinds in revenue from prior year billings, adjusted EBITDA margin would have been 42%.

Our total costs in the second quarter increased by 7% year over year. First, a 27% increase in cost of goods sold as we invest in our customer platform, such as service and routers, and higher costs from deployment of Frontline projects. Second, a 4% increase in OpEx, which was mainly driven by 13% higher sales costs due to the additional FTEs hired in our Enterprise sales teams. Beyond this, costs for R&D and G&A remained largely stable, and marketing costs were 2% lower year over year. Other costs increased on a very low base.

While our margin for the first half of the year was a bit softer compared to last year, let me remind you that we expect a back end-loaded margin phasing throughout the full year in 2024. We have made strategic investments in the first half of the year, while the EBITDA effective savings from the revised scope of the Manchester United partnership will materialise in the second half of the year. To this extent, our margin development is fully in line with our target of at least 43% for the full year. Let us move on to slide 16.

While our adjusted EBITDA was up 6% year over year in the second quarter, our non-recurring costs improved by 30%, in particular due to adjusted accruals for long-term incentive bonuses related to the management bonus and lower charges related to the employee RSU programmes. With this, even our reported EBITDA even increased by 13%.

Depreciation and amortisation were largely stable, while our financial and FX results increased by 18% due to higher interest expenses. In addition, we recognised €1 million of losses related to our equity investments, which are recognised in the share of profit and loss of associates.

To sum up, our profit before tax saw a strong increase of 14% year over year to €39.8 million. Our income taxes increased by over €12 million year over year, which was expected, as we benefited from a positive tax one-off related to a change in our tax scheme in the same quarter last year. This tax one-off was €8 million.

As a result of these higher taxes, our net income decreased by 22% year over year but still came out largely positive at a solid €26.5 million. Supported by a lower number of shares outstanding due to our continued share buyback programme, our adjusted earnings per share was up 8% year over year to €0.24. With this, let's move on to cash flows on slide 17.

Pre-tax net cash from operating activities was up 35% year over year to €84.1 million. This is mostly the result of higher billing and the revised scope of our Manchester United partnership. While the latter will only have an impact on our earnings in the second half of the year, the change was already cash flow effective in the second quarter.

CapEx was around €700,000 lower than last year. Lease payments were up €2.5 million, driven by timing of invoices. With this, pre-tax unlevered free cash flow increased by 33%. Interest paid and lease liabilities increased by €1.8 million, which was partially driven by two factors, first, by one off cost for the issuance of a new €100 million promissory note, and second, by increased interest rates compared to one year ago. After this, our pre-tax levered free cash flow improved by 32% year over year.

And finally, we paid higher income tax in the second quarter of this year, as the previous year's quarter was positively impacted by a €3 million cash tax refund. To sum up, our levered free cash flow increased by a very strong 29%. And what I'm personally even more excited about, our cash conversion increased to an extraordinary 90% in the second quarter. I now move on to slide 18 to focus on our financing structure.

Our cash and cash equivalents at the end of the first half year were down €26.9 million to €45.9 million compared to year end of 2023. Our strong operating cash flow of around €119 million was offset, in particular, by cash outflows of around €94.3 million, related to share buybacks and net debt repayments of €30 million.

Our financial liabilities at the end of the first half year is slightly improved compared to the end of 2023, while net financial liabilities were slightly down due to the lower cash and cash equivalents at the end of the reporting date. Our financial leverage ratios also improved to 1.7 times per end of the first half year. As you know, we target a ratio of around 1.3 times per end of the year. We are very confident about this target on the back of an improving EBITDA in the second half of the year.

Regarding our ongoing share buybacks, we returned €26.6 million to our shareholders in the second quarter. As of

Monday, 29 July, so including shares bought back after the end of the second quarter, we have now bought back shares with a combined value of almost €120 million and thus completed around 80% of our current ongoing €150 million share buyback programme which we started back in December 2023.

Last but not least, we continue to optimise our debt maturity profile. First, we refinanced €100 million syndicated loan that was set to mature in July 2025 by the new promissory loan that we issued in May this year. Second, we have reached an agreement with our financing partners to extend our syndicated RCF of €450 million in full by two more years, until July 2029.

The successful extension of our RCF reflects the confidence of our lending banks in our business model and strategy. It further improves our maturity profile and provides a sound foundation for the sustained, profitable growth of TeamViewer. Let us now come to our financial guidance on slide 19.

First of all, we delivered a strong set of results in Q2. We grew our revenue and maintained our best-in-class margin profile. We had a strong pipeline conversion in Enterprise in Q2, with demand from large clients, and we also saw larger deals and new logos. And our billings from new subscribers have shown consistent, significant growth for the third consecutive quarter.

In addition, we also saw a higher appetite for longer-term deals, which led to higher contribution from multi-year deals with upfront payment in Q2. So overall, we are very, very pleased with how Enterprise developed in the second quarter. As you know, we continuously build on our pipeline.

But let me repeat again, the current macro environment is unchanged. We continue to see a delay in customers' decision making, and we also hear this more broadly in the industry. We said, back in May, that you can expect back end business development and that billings should grow faster in H2 compared to the year-over-year growth rate in the first half of this year.

On billings, we delivered somewhat better than we expected in Q2. So, we made a good step forward. And this reduces the weight on Q3 and Q4. I say this with confidence. For H2 2024, we expect the billings growth rate to be somewhat higher compared to Q2, which was 5%.

Actually, just looking at the analyst growth expectations for billings growth, which are between 6% and 7% in Q3 and

Q4, this sounds quite reasonable, and right now, we feel confident in reaching such ranges.

So together with our strong Q2 performance, with confidence, we reiterate our full year 2024 guidance. We continue to expect revenue to land in the range of €660 million to €685 million, based on the average FX rate of 2023. This includes FX headwinds from prior year billings of around €10 million to €12 million on a full year basis. Corrected for these FX headwinds, the guided revenue range corresponds therefore to 7% to 11% growth in constant currency.

For our adjusted EBITDA margin, we reiterate our guidance of at least 43%. We emphasised that the margin phasing would substantially pick up in the second half of this year on the back of the savings from the revised scope of our partnership with Manchester United.

In Q2, the adjusted EBITDA margin was 41%. There will be a substantial margin step up from Q2 to Q3, and we currently expect the adjusted EBITDA margin to be broadly similar in Q3 and Q4. With that, I would like to hand it back to the operator to open the Q&A.

Operator: We now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your telephone. If you wish to remove yourself from the question queue, you may press star and two. Anyone with a question may press star and one at this time. The first question is from Agarwal, Deepshikha, with Goldman Sachs. Please go ahead.

Deepshikha Agarwal: Yes, hi. Thanks for taking my question. I know you guided to… Basically, you say that you're comfortable with that 6% to 7% billings for the second half. But more from the Enterprise side, there was a good momentum in terms of conversion. So, what does that mean for the back end-loadedness nature that we have in that Enterprise billings range?

And the second one is basically a little bit on the free cash flow. So, when we look at free cash flow, it was very strong in the second half. Sorry, second quarter. And it was helped by some cash, Manchester United-related cash savings that happened in the second quarter. So basically, what does that mean for the second half? Especially, I think in the past, you have guided for a pre-tax levered FCF growth of circa 12%. So, any changes to that?

Michael Wilkens: Yes. Let me start with the cash flow question. No change to that, but at least a very strong confidence in delivering this.

As we said multiple times, we don't steer cash for the quarter. This had the impact because of the stepdown from the shirt sponsorship in Manchester. This was the main driver in Q2. But also for the full year, we are super confident to deliver what we promised before.

Oliver Steil	And maybe on the Enterprise, as Michael said, there will be a slight acceleration of billings growth in the second half. That is obviously primarily driven by Enterprise. So, clearly, the uptake that you will see in Q3 and Q4, as expected, will come from Enterprise, most notably in Q4. Obviously, Q3, summer quarter, mostly focussed on September then, after Labour Day, when companies are back in business. And then Q4 is the big Enterprise quarter. If you look at last year, the momentum we saw there and the conversion there, that was a significant part of the business. And that's what we have also, I think, laid out at the beginning of the year when we talked about the guidance.
Deepshikha Agarwal	Okay. Thank you.
Operator	The next question is from Gustav Froberg with Berenberg. Please go ahead.
Gustav Froberg	Morning, everyone. Thank you for taking mine as well. I have three, please. First is on SMB churn. It's been picking up a little bit since last year. Could you talk a little bit about the developments on the churn side, and maybe if we've seen a peak in churn or if you expect this trend to continue? Then a question on growth in higher value ACV buckets, which looked very strong in Q2. Is this driven mostly by new wins, or have you managed to make bigger moves with existing customers, i.e. moving from lowest to highest instead of moving to an interim step? And then, finally, you talked about cash flow. Now, it seems like you're pretty confident H2 will be strong on the cash side as well. With this in mind, how are you thinking about continuing the buyback programme which you are now 80% through? Thank you.
Michael Wilkens	Yes, I can start. I can start with the third. We continue the buyback as we laid out. So, we have roughly 30 million left, as explained. And we continue once we have the earnings call accomplished. So, no change on the buyback. On the SMB churn, that was the first one, Gustav, it's a slight uptick, but it's majorly driven by a tough comp from last year because of the free-to-paid campaign, where we had a big chunk of customers which we kindly asked to join us. And then you obviously see one year later a little bit higher churn. We are constantly watching the churn. It's too early to say

where the direction will head to. But we have massive measures at stake, where we improve, where we work on the improvement of the churn. And the second one was…?

Oliver Steil	Second one, Enterprise, higher value bucket. It's the mix, Gustav. So really, it is, I would say, on balance, the fact that if we win a completely new logo into Frontline and into Tensor OT, this tends to be in the higher value bucket, really. And we had lots of focus on this.
	So, there's a few things that come into play. Number one, clearly, we built the organisation. We have more experienced Enterprise sellers now that go after new logos. Secondly, very important, we work more closely now with partners, notably SAP, Siemens, Microsoft. All of those help us to bring in new logos. And obviously, they focus on large enterprises, and therefore, when we go together and do cross-sell, there is a tendency to come in at the upper end of our value range. So, this is actually driving this.
	But also, at the same time, we have very good customer relationships for years, which we step by step move up and get them into this larger bucket. So, both happening. The more successful we are on new, I think the more pronounced you'll see this development, as you rightly pointed out. You see the nice growth in new, the nice growth in Americas, and that then translates into nice growth in the higher value bucket. Highest value bucket.
Gustav Froberg	Great stuff. Thank you. Yes, thank you.
Operator	The next question is from Toby Ogg with JP Morgan. Please go ahead.
Toby Ogg	Yes, hi. Hi, good morning. So just on the billings growth then of 5% in the quarter, just to double check, should we think of the underlying billings growth then, cleaned for the incremental, upfront, multi-year deal contributions as closer to 3%?
	And then, just on the 6% to 7% billings growth comfort in Q3 and Q4, what specifically gives you the confidence in that acceleration? And can you flesh out expectations for the upfront, multi-year deal contribution phasing in Q3 and Q4? Thank you.
Michael Wilkens	Yes. Let me start with your question on the underlying billings. Toby, we think we try to guide you more and more into this ARR logic. So think more in the vicinity of where the ARR is 7%. Many analysts laid out different formulas for the underlying multi-year deals, but don't take that to predict the future. I think this would not be appropriate. That was one. What was your second question?

Oliver Steil	Multi-year.
Toby Ogg	Just on, yes, multi-year.
Michael Wilkens	The multi-year deals for the remainder of the year. We said constantly that we will have lower multi-year deals in 2024 versus 2023. So right now, because we saw a little uptake because of new customers joining with multi-year deals, we think in the vicinity of 55 million to 60 million for the full year.
Toby Ogg	Got it. And how should we think about the phasing of that between Q3 and Q4?
Oliver Steil	Difficult to say. Generally, you have more activity, much more Enterprise activity in Q4.
Michael Wilkens	Therefore, normally…
Oliver Steil	So there is more multi-year deals happening in Q4, because this is year-end deals, when customers carve out or clean up their budgets and use the budget to commit to longer term.
Michael Wilkens	But normally, you can say it's much higher in Q4 than in Q3.
Toby Ogg	Understood. Thank you.
Operator	As a reminder, if you wish to register for a question, please press star and one on your telephone. The next question is from Ben Castillo-Bernaus with BNP Paribas. Please go ahead.
Ben Castillo-Bernaus	Good morning. Thanks very much for taking my questions. Two from me, please. Firstly, could you remind us what was the level of free-to-paid campaigns activity like in H2 of last year compared to Q2, which, as you said, was particularly high? So, should we expect continued higher subscriber churn for the rest of this year? And then, second question, you mentioned around the confidence on the billings growth accelerating in H2 this year. Just to clarify, is that across both SMB and Enterprise billings growth or just Enterprise? Thank you.
Oliver Steil	Maybe I take the first one. Yes, so typically, free-to-paid campaigns are running more in the first half of the year. And then we let the free users come back to the base. So, therefore, this churn impact that you were talking about is more pronounced in Q1 and Q2 than in the second half of the year. So, you are right on this one. And also, don't forget, we always have still the washout of the post-COVID cohort. This has gotten smaller and smaller from an effect, but it's still there. So, therefore, we see higher churn rates typically in the first half of the year because of

these two effects.

Michael Wilkens

Yes, and on SMB and Enterprise growth for Q3 and Q4, this should be in both of the business units.

Ben Castillo-Bernaus

Great. Thanks very much.

Operator

Once again, to ask a question, please press star and one on your telephone. The next question is from Andreas Wolf with Warburg Research. Please go ahead.

Andreas Wolf

Hi, good morning. Thank you for taking my question. My question is regarding subscriber churn. Is it possible for you to track whether clients, especially SMBs, that once have left the platform are coming back? Any comments on that would be helpful. Thank you.

Michael Wilkens

Yes, A, it's possible, and B, we track that, and we also see, C, customers coming back who were not with us for the last 12 months. We have that, yes, which is obviously then a very positive signal for our strength.

Andreas Wolf

Thank you.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference over to the management for any closing remarks.

Michael Wilkens

Thank you for your questions, for your time, and speak later.

Oliver Steil

Thank you.