FY 2024 Results

Thursday, 13th February 2025

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Serge Enneman: Good morning all, and welcome to the full year 2024 earnings webcast of CM.com. My name is Serge Enneman, Head of Investor Relations, and I will coordinate this webcast on behalf of CM.com. As you probably are aware, we will first show a video summarizing the key highlights of 2024, after which we will highlight further the details of the comprehensive refinancing package we announced last night and the equity placing that we completed overnight. After all that, we will have a Q&A session with the analysts present on this call.

Sitting next to me here today are Jeroen van Glabbeek, CEO and co-founder of CM.com, and Jörg de Graaf, CFO of CM.com. They will present the highlights in the upcoming video and later answer the questions of the analysts present in this webcast.

Before we start with the video, please be reminded of the forward-looking statements for this presentation. If you choose to continue and watch the video, you are bound by these statements.

With this out of the way, I would now like the Operator to start the video.

Jeroen van Glabbeek: Last night, CM.com announced a complete refinancing package for its outstanding convertible bond of €100 million. We are paying back the bond early, as our financial strength has improved substantially. Now is the time to fully focus on business opportunities and optimize the conditions for further growth.

The past period, CM.com has been working with HSBC, ABN AMRO and ING to come to a full-depth package to refinance the convertible bond. This resulted in a loan that is sufficient to launch a tender for the outstanding convertible bonds. Major bondholders already have offered their support to tender the bonds at a level we can act upon now. We have sufficient support to launch this bid for all outstanding bonds.

Next to that, CM.com has announced an equity issue with the support of several high-quality investors. Those investors are both existing shareholders and new investors. The money will be used to strengthen our ability to grow further in AI. We are confident that we can give our growth a push with the support of such a strong investor base.

CM.com published the results over the second half of 2024, and we look back on a strong performance. The strategic focus on growing our bottom-line performance has resulted in new record levels of EBITDA and gross profits. Also, a tight grip on our OPEX remains. That means that we have outperformed the guidance we issued in the summer of 2024.

Our pipeline continued to evolve, and we launched exciting new innovations. This will keep us at the forefront of innovations going forward.

Last year we celebrated our 25th anniversary and business-wise we had a record-performing year. The implementation of the four business units has supported the bottom-line performance. The aim of the business unit structure was to improve the efficiency. After the first year-round, we see that CM.com is now better positioned for profitable growth in the future.

Zooming in on the operational performance in the second half of 2024, CM.com made good progress on launching new products, such as the launch of RCS and the constant innovation of Artificial Intelligence. We launched our Playground AI and just last week our agentic AI Studio to create agents. More new brands connected with CM.com, and existing clients often extended their contracts. The interest in our technology and services is clearly increasing from international clients.

Players will operate on a global scale. As clients seek possibilities to obtain more services and products from one vendor, they reach out to CM.com's one-platform solution. As we grow our AI capabilities further, we expect to offer more and more exciting new capabilities around AI-based software solutions. CM.com aims to become an AI-first company. The solutions we offer to our clients are expected to support further margin growth going forward; growth in our engaged business unit and across all business units of CM.com. What made these developments special was the fact that while we were strengthening our performance, our OPEX declined with 18% versus last year. That was more than we guided for in 2024.

CM.com has completed the integrations of the various platforms acquired through acquisitions. CM.com will continue to operate from one platform and use partners to speed up growth globally. Looking ahead into 2025, OPEX is expected to remain stable, and we remain mindful about realizing profitable growth.

CM.com will continue to develop its capabilities and quality. With the equity race, we will be able to give our growth a greater push going forward. We will focus on growing our top-line and bottom line and also focus on remaining proactive and growing our tech stack further to assure that CM.com remains at the forefront of innovation for the next 25 years.

Now, I would like to hand it over to our CFO, Jörg de Graaf. He will zoom in into the financial performance of 2024.

Jörg de Graaf: As mentioned by Jeroen in his opening remarks, CM.com realized record levels in gross profit and EBITDA because of the shift in strategic focus to value growth over volume growth, which we regularly highlighted in the past.

In the fourth quarter of 2024, our financial performance remained strong. Gross profit grew 6% year-over-year to €21.8 million and growth margins reached 29.2%. Top-line growth accelerated as revenue grew 13% to €74.5 million. As of the second quarter of 2024, CM.com has returned to consistent revenue growth, resulting in a positive year-over-year revenue development for full-year 2024.

Following this performance, our 2024 gross profit grew 6% as well to a record level of €83 million and our gross margins improved to 30.3% demonstrates that the strategic shift in focus has improved our business position and strengthened the ability to grow earnings organically. The implementation of our new business unit structure added to that performance as the decentralized organization, strengthened customer centricity, improved efficiency and enhanced internal alignment.

Now, let's zoom in on the financial performance of the different business units in the fourth quarter of 2024.

First, Connect. In Connect, we saw an acceleration of growth in the fourth quarter as top-line grew by 16.3% year-over-year to €61.3 million. That pushed the total revenue for Connect in 2024 to €220 million, an increase of 3% versus 2023. Our messaging business had good traction in the holiday season. Next to that, CM.com attracted more volumes from a large global platform with headquarters in the US. As a result, gross profit grew 8.3% in the quarter, bringing full-year gross profit growth for Connect to 7.1% at a level of €40.3 million. Gross margins remained at 18% in the quarter, resulting in a stable 18% gross margin for full-year 2024. The number of messages processed also grew by 18% and ended well above the 8 billion mark with 2.1 billion messages processed in the fourth quarter.

In Engage, we also had a strong finish of the year. The demand for our customer engagement software accelerated, leading to 15.6% revenue growth to €7.7 million and an increase of our gross profit by 13.6% to €6.7 million in the fourth quarter. That supported an overall result of €28.5 million in revenues and €24.8 million in gross profit in 2024, both increases of about 10% year-over-year. Gross margin stayed strong at 86.9%. This was driven by ongoing strong order intake. The pipeline in Engage is developing well and is expected to grow further in 2025, supported by the launch of our agentic AI solutions last week and the AI Playground tool in the fourth quarter of 2024.

This creates a foundation for the transformation of CM.com into an AI-first company. Our upgraded software proposition will play a prominent role in the product offerings going forward to both new clients and in the up selling to our existing customer base.

In our business unit Pay, we made great step forwards in our product offering by technical improvements such as enabling offline payments with our POS. We also went live with our processing platform for Visa and Mastercard and simplified our tech stack by consolidating our platforms.

Looking at the performance in Pay, in the fourth quarter, we saw that our POS offering did well, but our online proposition faced strong competition. That affected our top-line development and our gross profit, although our gross margin rose. CM.com is addressing this and expects performance to improve going forward.

That brings us to the business unit Live. In Live, CM.com sold 4.9 million tickets in the fourth quarter of 2024, pushing the total number of tickets sold to 19.3 million. That is an increase of 4% year-over-year. Revenue grew 7% year-over-year to €12.4 million and gross margins remained healthy at 85%. The international traction of our Live product offering grew as intended, with some eye-catching order wins in France and the UK in the fourth quarter.

Looking ahead into 2025, we're confident that our offerings in the music and live industry, as well as in museums and parks, remain market-leading, enabling ongoing future growth. Already, our pipeline for 2025 looks promising.

Now that we have reviewed the financial highlights for business units, let's zoom in on our OPEX and EBITDA development in 2024.

As stated before, CM.com has been working on improving its efficiency by lowering OPEX while growing gross profits, resulting in significant EBITDA expansion. Our OPEX is mostly linked to personnel-related expenses. In the past two years, we have optimized our cost base through natural attrition, process redesign and focus on areas where our investments in growth yield the highest returns.

In doing so, and continuously focusing on hiring the right talents, we have improved the quality of our organization. At the end of 2024, headcount was down 6% year-over-year to 666 FTE, down from 710 FTEs at the end of 2023, and 28% lower than at the end of 2022. As a result, total OPEX fell by 18% year-over-year to €66.5 million, as we kept a tight grip on non-personnel-related expenses as well. This performance means that we have met our full-year 2024 guidance to lower our normalized OPEX by at least 15% overall.

Regarding our normalized EBITDA, there we reached a record €18.1 million in 2024, ending just above the top end of the guided range of €16-18 million. Our normalized EBITDA in the fourth quarter was €5.2 million, which is also a quarterly record. Our unrestricted cash balance at the end of 2024 remained solid at just over €18 million. Free cash flow turned positive in the last six months of 2024 to €4.7 million, thereby bringing total free cash flow for the year to €3.4 million. Another big milestone in our financial performance.

Underlying the turn to positive free cash flow applies to growing EBITDA that now exceeds our CAPEX investments. That trend of a widening surplus of EBITDA over CAPEX is expected to continue in 2025.

The strong development of our free cash flow in the second half of the year was also supported by improving working capital. As part of the annual review, CM.com decided to take a goodwill impairment of €8.8 million on its Pay business to align the valuation of historic acquisitions with current valuations in the payment market. The impairment is obviously non-cash and has no impact on the EBITDA performance of CM.com.

With the strong set of financials, we have in 2024 achieved our key milestones of returning to material positive EBITDA generation and turning free cash flow positive. While we will remain very disciplined on our cost levels, we will now be able to shift full focus back to creating amazing products and accelerating growth.

And with that, I will hand it back over to Jeroen for outlook.

Jeroen van Glabbeek: In 2024, CM.com improved its organizational structure and performance and grew its sales pipeline. The proposition of CM.com expanded with new innovative tools and services. The presence of CM.com in the world of artificial intelligence is growing rapidly. In an environment that constantly changes, CM.com has improved its ability to generate cash and grow its business.

CM.com is ready for the future. In 2025, CM.com continues to focus on growing its bottom-line performance, converting its sales pipeline and growing its tech stack to become an AI-first company. That means for our outlook into 2025 and beyond that EBITDA is expected to reach a level in the range of €22-27 million. Gross profit is expected to grow. OPEX is expected to remain stable year-over-year.

Thank you for your attention. Let's hand it over to the operator for the Q&A session with the analysts. We look forward to your questions.

Serge Enneman: Before we go into Q&A, I will first handover to our CFO, Jörg de Graaf, to provide further details on the comprehensive refinancing package we announced overnight to refinance the convertible bond and the equity placing that we completed overnight.

Jörg de Graaf: Yes, yesterday evening after market, we have launched a tender offer to buy back the €100 million 2% coupon convertible bond we issued in September 2021 that matures in September 2026. We're offering 85.5% of nominal value with an early takers incentive of 1.5%, so a total 87%. At this moment, around 90% of the bond has already been committed, and we expect to reach complete or near complete redemption quickly.

In the upcoming bondholders meeting, the terms of the remaining outstanding bonds, if any, will be adjusted, resetting the maturity to September 2031, still with a 2% coupon.

To finance this repurchase, CM.com has entered into an €80 million RCF facility with HSBC, ABN AMRO and ING Bank, with an initial term through January 2028 and with the option to extend beyond that. The margin is dependent on the leverage and will be around 500 basis points on top of Euribor.

Also, we have launched and successfully completed a capital raise through an accelerated book build of €20 million, strengthening our balance sheet and supporting our continuous investments in growth and exciting new products. The book was well-over scribed with strong support from our cornerstone investors and participation of the entire management board of CM.com, who have committed to a lock-up of one year. The ABB was placed at a price of €6.70, representing a 4.9% discount to the closing price of Wednesday.

We're very happy with this transaction as it gives us a much-strengthened balance sheet, allowing the company to fully focus on accelerating the growth of our business and staying at the forefront of innovation.

Questions and Answers

Serge Enneman: Thank you, Jörg. With this, we can now enter the Q&A with the analysts. If you have questions, I would like to ask the analysts to raise their hands in the screen.

Thymen Rundberg of ING, could you please begin with your questions? Please go ahead.

Thymen Rundberg (ING): Sure, thanks, Serge. First, a quick question on bonds. What's your plan with regards to buying back the bonds? Will you first utilize the RCF and use cash for the remainder? The RCF has a length of three years initially, I read, with some extension options. What's your plan on refinancing this?

Then, in the last few years, you focused a lot on improving efficiencies and value over volume. Is it fair to say that you look at 2025 as a growth acceleration year again? Combining this with what you've said about investing in AI, you also mentioned that OPEX is expected to remain flat year-over-year.

Can you elaborate a bit more on your AI investments there, and how do you expect to have more efficiencies within OPEX if it's expected to remain flat while you increase investments in AI?

And then the last one is around your new agentic AI solution, HALO, which you launched last week. Do you see HALO as more of a vertical agentic AI solution focused on a few key areas, for example, one of which could be customer service, or is it more of a horizontal solution? How does HALO compare to competitors? Thanks.

Jörg de Graaf: Thank you, Thymen. Let me answer the first question and then I hand it over to Jeroen.

So, yes, we are using the facility with the banks to buy back the bond, and we issued the new share capital to strengthen our balance sheet.

First of all, we plan to grow our company, grow our profitability as we have been doing, and that, we believe, will allow us also to have a fresh look at our financing structure within a year, maybe two years from now.

It may very well be possible that we are going to put a new facility in place at that point in time. For now, we're very happy with the facility we have and the flexibility it offers us.

Jeroen, to you.

Jeroen van Glabbeek: Thank you Jorg. Also, good to add, we have a discount on the bond buyback, and we buy it back for €87 million. We have a discount of €30 million, which goes straight in our equity. So that's a great deal.

Then about efficiency. We expect a lot from AI to make our clients more efficient and more successful. Also, CM.com itself is becoming an AI-first company. That means that in every process within the company, we add our own AI capabilities of our HALO program.

So that means like if you have like this week with an onboarding for new employees, part of the onboarding is HALO training. This week, we also had a leadership course for our management. Part of the course is HALO training. Also, this week, we had a talent program. We call it CMBA. Also there, part of that is HALO training.

So every department within CM is implementing AI solutions based on our own Agentic AI platform, which makes us much more efficient. So that's why we believe that we will accommodate our ongoing, accelerating growth with the same group of employees as we have today. We don't need to have more people to accelerate our growth because we are becoming more and more efficient, because we add, and we infuse AI technology in our own processes as well.

Our co-founder, Gilbert Gooijers, leads that program, and I could say he is 24/7 involved with implementing smart AI solutions within every department within CM, and that will make us more efficient.

Then about the external part of this platform, our Agentic AI platform HALO was introduced a week ago, last Thursday. It was very well received. We had hundreds and hundreds of clients in our theatre in Breda, the head office, but also thousands of people watching it online. I walked in our sales department yesterday, and they were full speed ahead with doing demos every hour for new and existing clients and also making orders. So we expect obviously a lot of it.

We haven't included that in our figures or outlook yet. We will do so after the Q1 figures in April, and we will also give more guidance about the expected growth in our upcoming Capital Markets Day at 15 May this year.

And then back to your question, Thymen, about whether we address verticals or horizontals. I think by now it's very clear that our HALO project is really broad. It helps and enables businesses to become more successful based on AI.

Indeed, if you look back, the last few years, we were focusing on mainly two verticals. One was customer contact. We automated customer contact, and we helped and assisted contact agents. We did both with conversational AI and with our mobile service cloud. That was very successful, mainly based on the Gen-AI capabilities we have in the platform. So we assisted agents, or we answered questions. That's what we did.

Next to that, we added another vertical and that's marketing. Great brands around the world adapted the CM mobile marketing cloud to do their marketing on one platform. We onboarded Prenatal Netherlands, we onboarded Red Bull and other brands. It was great to see that a lot of brands found a solution with our mobile marketing cloud that they could do multichannel marketing based on a very strong customer data platform infused by Gen-AI technology.

That was until last week. It was the time of AI assistance. Last week everything changed.

Since last week, we now have Agentic AI, and there AI makes plans, and it executes actions. For that, our clients need a lot, actually. It's not an add-on on Gen-AI. No, it's a new platform built from the ground up. What it includes is: our HALO program is aware of all the processes active in a company. So that's one.

It's also aware of all the knowledge in a company based on internal documents, based on web search, based on crawl, based on all sources within a company. So it is aware of all the knowledge. That is two.

Third, it's also aware of the application landscape of a client. So all the tools a company might have for their CRM or ERP or bookkeeping, they can connect it to HALO, and then it's also aware of, and it can execute tasks in all the systems. So that's three. Then it's aware of all the brand tone of voice. The fifth thing is, and that's very special, it understands the governance model of our client. So it knows about all the roles and responsibilities of all the employees.

It's a mouthful, but these five new things which we added in our HALO platform enables businesses to really automate work processes.

And then back to your question, is it a typical vertical approach or horizontal? I think we can really implement this AI workforce in all type of departments, whether it is needs marketing or support where we came from originally, but now we can also help all other departments within a business to automate processes based on AI. So it's a huge addressable market, way bigger than they used to have, but it's something the clients asked for. It's not that we invented this out of nothing, we were in close contact with our clients, and they saw the capabilities of our platform, what it did for their clients, and the employees just asked the same.

Employees of our clients said: I want to have the same answers to my questions as we give our clients because I am also looking for information, I also want to automate tasks. So that's where it came from. Indeed, we see a broad market for this and many applications.

I can give you an example, just a real-life example. Last week, I was in our office in India. In India, I was there and within the office, we had a new application, a job opening. In one day, we received 1,500 applicants for this job. We had to choose who to invite for an interview. What we did with our own platform is we scanned all the 1,500 resumes, we looked them up, we said, okay, these people, they must have studied somewhere, and during the study, as an engineer, they might have made software.

Maybe we can find it online on GitHub or other software repositories. Our AI system looked at all the software they made in the past. The system made a review of that and a summary.

Then it made a listing of the top ten applicants based on the 1,500 applicants for these jobs. Based on that, we were able to pick the top five out of 1,500 applicants just in a matter of minutes. So we knew who to invite.

Now, this process would have been very cumbersome, let's say a year ago. Now we can do it just with our HALO platform in minutes. This is just one example of an HR job for finding a new developer in India, but it's an example of how broad the application is, which we just delivered.

Serge Enneman: Thank you, Jeroen.

Thymen Rundberg: Very clear.

Serge Enneman: Did that answer your question, Thymen?

Thymen Rundberg: Yes, very clear. So, it therefore seems that the opportunity with HALO is significantly bigger than with previously launched AI products, right? Such as the Generative AI platform.

Jeroen van Glabbeek: Yes, you are far better at summarizing the answer than I am at giving it.

Serge Enneman: Okay. Thank you, Thymen. Then I would like to hand it over to the next analyst. That is Wim Gille of ABN AMRO. Wim, could you please go ahead?

Wim Gille (ABN AMRO): Hi there. Can you hear me?

Serge Enneman: Yes.

Wim Gille: Perfect. Thank you very much. Wim Gille from ABN AMRO. I have a few questions.

First on Engage. Obviously, there is very good momentum there. We finally saw the much anticipated acceleration in growth, with Q4 growing at 15% or north of 15% year-over-year. What can you tell us about the momentum that you expect in the first half of 2025? Can we sustain this momentum? Should we still expect some strong double-digit growth in Engage, based on what you currently see in your ARR and the contracts at hand? Did you increase pricing for existing clients on the first of Jan? Or do you have, let's say, a different cycle there?

Also, can you give us a bit more color on how the sales funnel is developing? So, which types of companies are you currently talking to and dominating the pipeline? How big is the pipeline compared to a year ago? Are you looking at small, large, local, international companies? What kind of ticket sizes do you expect from these clients? Are your sales cycles growing, slowing, etc.? So, can you give us a bit more feeling on how that sales funnel is developing, so that we can have a better view on 2025 and beyond?

And then the second question would be on Pay. That is turning into a genuine concern at the moment with the lack of momentum that we have over there. Now, obviously, last year you finished the development of your own processing platform. It was a long process, and you spent a lot of money on that. We should have expected the take rate to go up, yet it went down. Revenue is coming down.

I understand fierce competition in online, but that's a bit of a too generic answer, if you will, on what is going wrong there. So, I'd like to have a bit more insight into the Pay business. What is the current revenue mix look like, POS versus online? How much gate software revenues do you still have in the mix? Do you have a concrete plan to turn this thing around? How much goodwill do you have left on the balance sheet, etc.?

These would be my two very long questions. Sorry.

Jeroen van Glabbeek: Great. Shall I start? Yes, Wim, thank you.

Engage, momentum, acceleration. Yes, that's true. We saw a lot of growth and acceleration in both Connect and Engage for the last quarter. So, that's great. Now we have to predict how that will play out in the first half-year.

Now, the momentum is still great. It's even better, since we launched HALO. We are working full-time on it, every hour of the day. We are giving demos. We are writing orders. We don't know exactly how that will end up for the first half-year, but we will come back on that after the first quarter in April and also dive deeper in that topic on 15 May during Capital Markets Day. We expect a lot, I would say, but really to quantify that, we need a bit more time because we just announced it last week.

In general, if you look at CPaaS and Engage in a broader sense, we see a good momentum for those products.

Where are we focusing on? For HALO, we started last week with our existing clients. For them, it's an easier step up to implement it. They are already on board on our system. They have already the data in our platform. The people are used to work with the CM.com platform. There, basically what we do commercially is we double the price. So, with all the clients we have for Engage, we have already a price agreement and we say you pay us a fixed fee per answer. That's what we used to do. You pay a fixed fee per answer. Our platform generates answers.

Now it executes tasks, and we figured out that it has double the value. So, in a broad sense, you could say that the price list doubled. Our clients need to pay twice as much for a task executed by HALO compared to an answer given by conversational AI.

So, that's a quick win for us to go to existing clients, and they're really happy to take this step with us. They are very enthusiastic about the capabilities, and they see the value. That's the first response we have for the last week.

But it's still early days, of course. Then, the second step is also to reach out to new clients. This week, we had a big show in the Middle East, the LEAP convention, where we launched this for the Middle East region.

Also, a lot of traction there. And if you look at where we are selling this, this is across the globe. We have leads for this in India. We have leads for this in the Middle East, all over Europe, also in the UK, in France, but also in the US, and also South Africa and Asia. So, everywhere we are, we are selling this. We took already the time the last month to train our sales force, and they're now selling this. So, let's see how that goes.

What is our target audience? Like always, it's a bit the mid-market. We see the longest sales cycles in the upper market, in the enterprise market, the big companies. So, we avoid that a bit because we want to have a lot of possible deals and a short sales cycle. We find it in the mid-market.

There are also really small companies. It is beneficial for them as well, but there we see lower revenues per client. So, the most efficient way, the most scalable way we find is in the mid-market for these products.

That's also a place where we do see competition, but we have a strong product. It's way advanced compared to competition, and it's also a European-developed product. In this case, that's important.

AI is enrolled all over the world, but you see that there is a division between the different superpowers of the world. So, like US, China, Europe, India, other places. You see that a lot of enterprise and large companies, but also the mid-markets, really value our European values.

We developed this project in Europe with European developers for the European markets, with the European rules and regulations in mind when we developed that. That's something that our US-based competitors just didn't do. You see that in practice, if you look at the new Apple iPhone, AI features are not launched in Europe, because they were developed not with the European legislation in mind.

So, that's why we see a strong demand in Europe for these European AI solutions. Also, what happened in the last days. Yesterday in Paris, with the big AI summit there, you see that the European Union is waking up and sees the opportunity for AI and supporting it more and more. You see that also with our clients.

So, EU mid-market, short sales cycles, first to existing clients, later also new clients. That's our game in Engage.

Then to Pay, we have four different business units. Most of them were very successful and Pay was a bit behind indeed last quarter, we've seen it as well. We're looking at that, we're working on that. Indeed, the focus last year was in the background, in the software, in the hardware, and the technology behind it. We built a great platform, with our own processing platform. Online clients were already converted.

This year we will also convert the point-of-sale (POS) devices. We have a strong proposition there, but we need to sell it. So, we are building now pipelines based on our renewed product offering.

If you look at revenue mix, we were quite successful in point-of-sale. If you go around in the Netherlands, you find more and more places where you see the CM.com logo on the PIN terminal. But online struggled a bit. There was fierce competition and also maybe some lack of attention from our own sales because we were working in the background on the product itself, and a lot of new things are coming out anytime soon. Then we will expand that further.

It's a very interesting market, Pay. Everybody pays; everybody needs to receive payments. It's a big market. It is certainly part of the new world where people do everything with their mobile phones. It's however a long play, and we see indeed more momentum in the other business units really right now than in payments. But we have a good plan, on which we execute now. We have the right product, right plan. Indeed, as you saw, we impaired the goodwill of payments. We've chosen that because we saw our revenue was lower than expected.

We did a few acquisitions in payments in the past, in a time when fintech was much more valued than it is today. So, that's why we impaired the goodwill to zero actually. He Jörg?

Jörg de Graaf: Yes.

Jeroen van Glabbeek: Of course, that is not a cash effect. It's also not a P&L thing. It's just on the balance sheet. That's what concerns payments. I can tell you much more about it because I'm very enthusiastic about all the opportunities we have there and the things we're working on. But I'll leave it for later. I think also during the Capital Markets Day we will share more information about our strategy behind this.

Serge Enneman: Did that answer all your questions, Wim?

Wim Gille: Well, I have quite a few detailed questions on the mix, etc. Let's take them offline and see how it works out.

Serge Enneman: Robert Vink of Kepler Cheuvreux. Robert, please go ahead with your questions.

Robert Vink (Kepler Cheuvreux): Yes, thank you. Firstly, I have a question about Connect. The gross profit growth of the Connect business improved significantly during the second half year compared to the first half year. In your press release and during your presentation, you mentioned specifically that a major global tech platform increased its traffic to your platform.

I have some questions about this. Firstly, can you give some color why you think this platform increased traffic to your platform? Maybe you can explain what type of CPaaS solutions they consume? In which regions are these communications maybe done?

Secondly, can you elaborate further on what drove this gross profit growth acceleration at your Connect business during the second half? Is this mainly driven by this global tech platform, or are there also other drivers that we should know about?

I also have a quick question about the annual recurring revenue. We see that in the fourth quarter, annual recurring revenue shows a very small uptick of growth compared to the third quarter. Is this driven by churn or a lack of new order intake? Maybe you could provide some color on that. It would also be interesting to understand how you think about the HALO AI platform. I understand that currently you have not included this Agentic AI platform in your guidance. However, maybe you could elaborate how the pricing model of this new HALO platform will work. Is that mainly going to become recurring revenues, or will it maybe also consist of some volumes? Thank you.

Jörg de Graaf: Okay. Yes, thank you, Robert. Let me answer the first two questions and then, for HALO, I hand it over to Jeroen.

On Connect, indeed, we see more traction there and more growth. I think what we started off with more than a year ago, was of course this value-over-volume strategy where we just basically reduced the volume revenue but increased our gross profit and focus on gross profit. Now, this is sort of completely embedded in how we do our business and that means we're focusing again there on growth, and we do see a lot of developments in this market that actually are driving growth.

So, SMS is still growing. We see OTT as a channel driving growth, and also we see large opportunities both in voice and in email. So in that sense, all these communication channels give us avenues for growth that we are focusing on and in different stages of capturing that opportunity. What we also see typically within our Connect business is that there is sort of a large part of our normal business, regular business, and there's always sort of an outlier where we have in one or two quarters a little bit more, and then it's a bit less.

We had during COVID, we had a lot of voice traffic in the beginning of 2024, the first half. We had a lot of OTT traffic for certain campaigns. Now, we do see an acceleration in terms of more SMS messages as well.

So, I think it's sort of also a constant that there is a bit of volatility in our business there, but the underlying trend is strong, is growing. We increased our gross margins over the last two years to 18%. That's nice and stable, and we do business with all the very big tech platforms in the world and since they have massive amounts of volumes, we try to pitch for those volumes and attract that business.

We've been quite successful in doing that, and as these platforms grow, we grow with them, and we prove to be a good partner and increase our share of wallet. So this is part of our strategy that we are successfully executing, and we think the reason we get this traffic is simply because we have the best offer, we have the best quality, the best price, the best secure solutions and are able to combine that with many other channels as well. That's I think in general on Connect and gross profit growth there.

Then on your ARR question, you're very right. So the optics are a relatively small ARR growth in Q4 versus Q3. I think it makes sense to give a little bit more color on that.

First of all, in the first quarter, we refined our methodology of how we define ARR that led to a small adjustment, one-off in Q4. That shows a little bit different, but the underlying improvement that we see versus Q3 is about €0.5 million. The other thing that's good to know is that ARR consists of all the recurring revenue streams we have within our company and actually in every business unit we have there is an element of recurring revenue.

Now the most focus of growing recurring revenue obviously is in our Engage domain, and if you look at that then you see that the ARR growth in Engage, so year-over-year, is 9% or 10%. There's other elements like some legacy Connect subscriptions that we have that are not growing or maybe even declining a little bit because we're moving them to different business models. So therefore in the mix you see about a 6% growth, but the focus for us is on growing that recurring revenue within Engage, and there is a healthy 9-10% year-over-year.

Jeroen, then I hand back over to you for HALO AI and the pricing model.

Jeroen van Glabbeek: Yes, so HALO AI, we expect a lot of it. More efficiency for ourselves, more efficient for clients, but also more revenue for CM.com. It's too early to include all the expectations we have for HALO AI in our guidance at the moment, so it's just not.

But yes, we do have a price model. On average, we know that our clients are willing to pay double the amount per resolution which we provide with HALO than they used to pay per answer with our conversational AI platform. So our pricing model is quite simple. You just double the price per resolution compared to the answer.

Now, how do we sell that? Is it users based or ARR? The vast majority of our Engage clients pay a bundle price per year. Our experts are in contact with our clients, and then they predict the number of messages or answers they need for the next year, and we agree one price for one bundle. If people really use much more than they agreed upon, then they have to pay a bit extra.

We do use that, we call it over-usage, which we also can invoice. But the majority of the revenue is secured in an annual recurring revenue contract, and the new contracts we see coming in for HALO have just a higher price point. You have to double the price of what we used to see.

So we are converting now firstly the first clients we already have and then secondly, also, we are signing up new clients. The sales cycle for the existing clients is a bit shorter because they know us, they trust us, they are already in our platform, they have the data available there, maybe the knowledge, maybe their tone of voice we are aware, maybe the process they already have, so they can start a bit faster. So the first group of clients will be the existing clients where we have an up sell so to say or a renewal which is just for a higher price, and then we will have the second group of the new clients coming in.

How will that really work out for our revenue development in the course of next year? We have to wait and see a bit. It's just one week since we launched it. We will come back in the first quarterly figures, which we will release in April.

Serge Enneman: Thank you, Jeroen. Did that answer your question, Robert?

Robert Vink: Yes it did, very clear.

Serge Enneman: Okay, thank you very much. Thymen, I see you raised your hand for a follow-on question. Please go ahead.

Thymen Rundberg (ING): Just a last quick question on HALO. One of the key challenges with enterprise AI solutions are security risks. How do you address these security risks? I was also wondering how quickly customers can actually get up and running with the HALO solution. Thanks.

Jeroen van Glabbeek: Yes, now let's start with how quickly they can be up and running. Now, we did everything to make it as easy as possible to onboard. If you've seen the release last week, it was still we can find it online on our website. It's like a show of 45 minutes where we really show all the features. If you haven't seen it, please watch it because it's a great explanation because it's a real-life platform. It's not like a vision we present.

Now, we present a platform which we developed and is ready for you. You could really see the solution. So that was great.

How quickly can you onboard? Rutger, our Head of AI Development, showed it. He really sat down in a chair, and he just talked to the screen to a HALO product and then our system listened to what he said about the business processes of his company, and then it designed a new business process for the client.

Our system was also capable of connecting it to existing applications and starting this new process up just by his voice. Of course, you can also just type in the business process you want, that would also work, or you can upload policy documents or other description of your processes. So if you have a company, and you have a written down of your business process, you can also upload it, and it starts designing the work process.

We did everything what we could possibly think about to really enable our clients to really be fastest way to prove value. As we say, you really want to prove the value of our system. But that's just a starting point.

So you start with a few processes. You put them in the system, and it starts working. You start with a few applications, a few tools you have in your business, and you describe a bit of your landscape of software within your company, and it already starts connecting that.

We've seen that, for example, with our client, AS Watson, who was the first client on HALO. We had to connect with a few legacy SAP systems within AS Watson. It was a matter of days which we could connect more or less automatically by uploading the descriptions, by uploading the manual, so to say, of the system, and it started developing its own connection more or less itself.

This was a really fast time-to-market. They expected that it would cost maybe half a year with a lot of consultants, but in general, it just took us a few days. That made us ready for the launch for Kruidvat and Trekpleister just before Black Friday, which was a huge failure for this client. So they were happy, and they saw this quick time-to-market.

The same is also with knowledge. You can store all the knowledge, but indeed what is the most important thing is security. It is about roles and responsibilities, about governance, because if you enable, if you upload all the business processes and all the information and all the knowledge in your company into our system, of course, it becomes very powerful.

So you have to regulate that a bit with roles and responsibilities. The most important part of our system is that our business can really describe that. Who is able to do what? If our AI is going to do autonomous tasks, then of course, you always have to know on behalf of who do you do that, and was he allowed to do that? That's the really hard work we put in this HALO platform.

It is all about this security, security of data, security of privacy and all those things. For example, privacy is very important. We are European, we designed this with the European legislation in mind, and it means that we can guarantee our clients only use our own language models on our own chips, in our own service, in our own data center. That's really trustworthy. Or we can say we only use language models hosted in the EU. Whatever we do, we guarantee that for every time a language model is used, we never send in privacy data, personal information, and we don't send it in. So, we strip all the questions of all the knowledge we send into the language model, we strip it from personal information, then the answer comes back, the language comes back, and then we add it again.

So, a lot of security measures are in place and that makes it really suitable for enterprise businesses in Europe. That is new, it's advanced, it's not what the competition is doing right now. Of course, you will get competition in the future. We are ahead, and we want to have benefit from this, from us being ahead with this HALO platform.

Serge Enneman: Thank you, Jeroen. Then, I see a follow-on question from Robert. Robert, please go ahead.

Robert Vink (Kepler Cheuvreux): Yes, thank you. Some questions about the payments business. My first question is whether you can give some more color on the size of your online payments business relative to the total payments business that you have. This is kind of the part where you're facing elevated competition.

My second question about the payments business is, since you now operate your segments as distinct business units, I would be interested to know if you could help us understand the impact of the pay business on the Group's bottom line and also free cash flow generation currently and going forward.

Jeroen van Glabbeek: Maybe you Jorg?

Jörg de Graaf: Yes. Okay, so I think, let me answer your questions subsequentially.

The size of online versus total is not something that we specifically disclose but online is a little bit bigger than the in-person payment part. However, in-person payment is growing, and is doing well. That balance is shifting and what we actually see is that the in-person payment is going to be also a facilitator for the transactional part, because there where we are able to place our terminals, we're often also able to put a gateway with a transaction processing platform behind it.

So in terms of how we orchestrate our commercial processes and strategy, often the in-person payment part is first step in, and then we are trying to migrate all of those volumes over to us as well. Sometimes that's not happening in parallel due to contractual agreements, etc., but it is a lead indicator for our growth also on the online part.

Then the impact on the bottom line is also something that, obviously, we don't disclose at this point in time. I mean, the payment part is still relatively small compared to the rest of the organization. So in that sense, the impact is also limited, but we are not disclosing specifically EBITDA or cash numbers on a business unit basis at this point in time.

Robert Vink: Okay, thank you.

Serge Enneman: Okay, thank you all for your questions. This completes the Q&A.

Thank you all for attending this webcast. Our next release will be the annual report on the 13 March, and after that, we will publish the first quarter trading update on the 17 April 2025.

Please be reminded that the first quarter trading update does not include a webcast. That will be conducted again at the first half publication.

For all other details and our financial calendar, please visit our Investor Relations website on CM.com.

This concludes the call. Thank you all for attending.

Jeroen van Glabbeek: Thank you very much.

[END OF TRANSCRIPT]