cm.com First Half Financial Results

Thursday, 28th July 2022

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Dirk Stuip: Welcome, everyone. Good morning. Welcome to the webcast of the financial results of the first half year of cm.com of 2022. My name is Dirk Stuip, I am part of the CF strategy team, and I'm your host for today. Luckily, I'm not alone. I'm here together with our CEO, Jeroen van Glabbeek, on my left, and our CFO, Jörg de Graaf, on my right. We will start this webcast with a presentation by Jeroen and Jörg in which they will give a highlights of the performance so far in this year, and we will do a deep dive of the results per segment. We finish off this first part with an outlook on the second half of 2022. And, when we've done that, we go to a Q&A session where you can ask your questions.

However, before we start, I would like to remind you that although we believe the outlook and all forward-looking statements to be reasonable assumptions, there can be no assurance that these statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The presentation we will show you will be shared afterwards, so you can actually do an additional research. Having said that, I think this is a good moment. Let's start with the presentation.

Jeroen van Glabbeek: Earlier today, we published our results for the first six months of 2022, and I am pleased to present you the highlights. In the first half of 2022, our business continued to show a robust growth. Revenue and gross profits were up, with growth rates less steep than in the previous periods, due an exceptionally strong second quarter 2021 comparison base. In the same quarter last year, COVID-19-related tailwinds reached peak levels, with our CPaaS platform being heavily used by health services for the communication around COVID tests and vaccinations.

We got off with a good start of the year, with a strong revenue growth in the first quarter of 2022. The second quarter yet again demonstrates the robustness of our growth profile as we were able to exceed the peak levels of the second quarter of 2021 revenue and gross profit levels, while also increasing our gross margin. So, without the tailwinds of COVID-related services, we were able to grow our CPaaS business in an entirely organic way by consistently adding new business from existing and new clients. In addition, we saw a strong demand for our CCaaS solutions, which pushes our growth and annual recurring revenue base. The rapid growth in this business segment was aided by the consolidation of consumer AI provider Building Blocks but was mainly organic and fuelled by new client wins and increased cross-selling.

In payments, we saw a good revenue growth and a steep growth in payments processed – at this moment, at a lower take rate than before. We anticipate the launch of our in-house-developed processing platform in the second half of this year. We consider a proprietary payment processing platform to be a competitive advantage which offers us multiple benefits in terms of extra quality controls, faster innovation, and lower costs. Our ticketing business clearly benefited from the reopening of sports, leisure and entertainment events following the lifting of COVID restrictions. Ticketing revenues are up 3.5x in the first half of 2022. Given the large pipeline of festivals and events, growth won't stop here, as we expect the strongest quarter for ticketing this year is yet to come.

For several years now, we have seen new clients use more of our integrated products from the start and increase the number of products they use at a faster pace. More clients embrace our vision of an integrated conversational commerce platform with multiple capabilities and solutions to address the various customer engagement needs. This is also typically reflected in the higher margin we make on new cohorts of clients, new products we launch and countries we open. For the same reason, we recently added our voice capabilities to our mobile service clouds. By doing so, we create a powerful and compelling offering for contact centres in which we can now combine all incoming communication channels in one CCaaS-based solution.

For us, the past two years since IPO have been a time of tremendous growth, not only by revenue and gross profit but also by staff numbers and our global organisation as a whole. Now, with more than thousand employees, we believe that our team is nearing the right capacity. Therefore, we anticipate a slowdown of staff expansion for the upcoming quarters and years. At the same time, various one-off implementation projects are moving into our final phase. As such, we recently implemented a new global CRM system and a new global HRM system. We anticipate more efficiency in clouds[?] from these organisational improvements going forward. This also means that we have now reached a point where we can shift our focus from accelerating global expansion towards leveraging our current scale and team. While we do intend to continue to invest in growth and future business, this shift is expected to lead to a slower growth of CAPEX and a slower growth of OPEX levels going forward. In addition, it will allow us for increased benefits from cross- and upselling, faster commercial paybacks and operating leverage aimed at reaching structurally positive EBITDA towards the end of 2023.

Jörg de Graaf: Thank you, Jeroen. Hello, everyone. As mentioned by Jeroen in his opening remarks, we saw robust revenue and profit growth in the first half of 2022, albeit at a slower pace. This was entirely due to a strong comparison base in the first half of 2021, and particularly in Q2 of last year, where we reached peak levels of COVID-19-related services. Right now, these tailwinds are gone and we’re back at normal business levels.

Our H1 2022 revenue was up 21% at 136 million, with growth being almost entirely organic. Geographically, we saw particularly good contributions from the Americas and the APAC region. Gross profit was up 26% at 35.2 million, outpacing our revenue growth again, on the back of revenue growth across all business segments and strong contributions from CCaaS and ticketing in particular. Our gross margin increased to 26%, up from 25% in H1 2021, due to mix improvements. We note that the margin expansion could have been higher if it was not partly held back by the earlier-mentioned normalisation in our voice business. Now, let me zoom in on each of our business segments separately. As announced earlier, we have adjusted our business segmentation and now split platform into CCaaS and ticketing. In addition, we have decided to include our residual segment offer, consisting mostly of premium SMS services, under CPaaS going forward. The comparable 2021 numbers for our four new business segments – CPaaS, CCaaS, payments and ticketing – have been adjusted accordingly.

First, CPaaS. Our CPaaS business empowers organisation to notify and connect with their customers through a range of communication channels. In the first six months of 2022, revenue went up by 16% to 114.5 million, while gross profit was up 2% to 17.8 million. Growth was driven by both new and existing customers. Our net dollar retention rate remains sound and demonstrates that existing customers generate more revenue with us than in H1 2021. At the same time, customer churn was limited to 5%. The growth rate was tempered because tailwinds from COVID-19 fell away and we were up against a strong overall half year and an exceptionally strong second quarter in 2021 in which COVID-19 was fully present. During the pandemic, we launched multiple innovative services accommodating the fight against COVID-19 in a number of countries. This acted as a catalyst for CPaaS growth throughout H1 2021, with peak levels in voice reached in Q2 of that year. If we leave aside these tailwinds, the underlying CPaaS growth remained robust at fairly stable messaging margins over the previous 10 quarters.

Returning to CCaaS, you can see that demand for our cloud solutions has been growing rapidly, with revenue in H1 2021 up 48% to 11.8 million and gross profit up 50% at 10.5 million. The rapid growth was largely organic of nature but has also been aided by the acquisition of Building Blocks. Over the past few months, the acquired product lines have been fully integrated and are now being sold in 15 countries worldwide. As a result, our annual recurring revenue got a boost, with ARR reaching 27.6 million in H1 2022, up 52% year-on-year. The strong growth of our mobile CCaaS solutions also contributed to the increasing margin of our group.

At payments, we saw a revenue increase of 27% to 6.1 million, while gross profit went up 33% to 3.6 million. Processed payments came in at 833 million in H1 '22, an increase of 55%, albeit at a lower take rate. This increase was partly driven by the onboarding of high-volume customers, including the payment services we provide to the Dutch Government that are now fully live. The increase of venue and event ticket sales for which we also process the payments, following the lifting of COVID restrictions, have further aided growth in this segment. Recently, we also closed an international [inaudible] deal with a client in the leisure sector which will further add to our payments business.

At ticketing, revenues surged by 338% to 3.5 million, with gross profit up 371% to €3.3 million. This jump in revenue and gross profit was due to the reopening of museums, theatres, and other venues, as well as a surge in tickets for sports, music and leisure events after all restrictions were lifted. When we compare H1 2022 revenue to pre-COVID levels, we see that revenues in this segment more than tripled compared to H1 2019. This clearly demonstrates that our continued investment in the ticketing business during COVID times are paying off in market share gains.

The strong growth of ticketing also contributed to the increase of group gross margin. In line with the rollout of our global expansion strategy and efforts to facilitate future growth, we further bolstered our organisation and expanded our staff in H1 2022. As a result, OPEX went up by 53% to 42.6 million. This is primarily due to the increase in number of FTEs from 650 to 888 at the end of H1 2022, which was partly organic and partly due to the acquisition of Building Blocks. In addition, we saw increased expenses for travel conventions, as well as higher IT licensing and implementation expenses. Also included in our H1 results is a one-off bad debt provision of 4.2 million for a wholesale customer caught in insolvency procedures. As a result, reported EBITDA came in at minus €11.6 million for H1 2022. When normalised for this one-off item, EBITDA stood at minus 7.4 million.

As noted by Jeroen in his opening remarks, after two years of investing in our global organisation, product offering and team, we believe that we've built an organisation that can shoulder more growth with less incremental cost. This means that we have now reached a point where we can focus more on leveraging our current scale and team. Therefore, we anticipate a structural improvement of OPEX as of 2023, with the first effects to become visible in the course of H2 2022.

This brings us to our outlook.

Jeroen van Glabbeek: In the first half of 2022, we saw a strong and unexpected decrease in COVID-related services. In addition, we see clients becoming more cautious with regard to growth investments and keener on cost savings in the light of ongoing inflation and rising concerns about a potential recession. While our products and services cater to both sides of the equation, we need to adapt our sales and marketing efforts to the change in demand. To reflect these developments, we slightly lower our revenue guidance for the full year of 2022, from 310 to €330 million towards 300 to €315 million. Looking further ahead, we will continue to strengthen our market leadership and innovative strength in conversational commerce. We are here to help organisations around the world to communicate and engage with their customers. Helping our clients to retain their customers might be even more relevant now than ever before. We confirm our forecast to return to structurally positive EBITDA towards the end of 2023. We expect to achieve a structural improvement next year in which the first signs can already be seen in the second half of this year.

I would now like to hand over to the operator for the Q&A session. Looking forward to your questions.

Questions and Answers

Dirk Stuip: Wow. Well, thanks, Jörg; thanks, Jeroen. Great insights, and I think a very good base to start a Q&A session. Well, I think we should go immediately to our first – our first caller, actually on video call there now. So I would like to think – should welcome Charles Brennan from Jefferies. Charles, good morning.

Charles Brennan (Jefferies): Good morning. Thanks for taking my question. Can I ask two questions, actually? The first is the macro's top of mind for everyone at the moment. You reference some caution in consumer-led sectors. Are you able to size the impact you think that had in the second quarter? And then, when I think about your second-half expectations, they still imply around 35% organic growth if I've done my numbers correctly. How do we get comfortable that that's de-risked enough in the context of your updated guidance?

And then, secondly, the bad debt write-off is obviously quite significant in the context of the size of your group. How do we get comfortable with the quality of growth in the receivables book, and how do we know there aren't going to be future events like that? Thank you.

Dirk Stuip: Thank you, Charles. I think the first part of the question on the macro should be Jeroen to address, and I think that the second part if probably more for Jörg to go on. So, Jeroen, please go ahead.

Jeroen van Glabbeek: Yes indeed. We see that, of course, inflation hurts consumers. Our business clients feel that. They – there is also this anxiety for this potential recession coming up, so all the businesses, or most of them, are a little bit more reluctant to make fast decision in buying more, spending more, and less consumer spendings in – with our clients mean – also means a bit less growth for our clients there, I mean, because, yeah, for example, if you send a text message for every booking of travel, and you have less travel, then you also have less text messages in our case. I think, if you – your question was more about last quarter, this has already happened last quarter. Now maybe we – in some areas, we already witnessed that. Let me give an example: e-commerce. So, during COVID, a lot of e-commerce clients peaked. They had more sales than ever before. For a lot of our e-commerce clients, last quarter was hard to increase more or to grow more than they did already the year before, so we saw, for example, within e-commerce this was less pressure on our clients. And that not only reflects, for example, with us with the payments – less payments, maybe, there, although we had the best growth in payments volume ever, so it's still going well, but we saw some pressure there for our clients already. And then maybe when our e-commerce clients sell a little bit more, they also – the clients ask a little bit – little bit less questions to our CPaaS platform, and they lent – less questions lent in our CCaaS platform, where we help our clients to answer those questions.

So yeah, there's already the first signs, and nobody can predict the future, of course – what will happen the next three to six months, but we anticipate a little bit slowdown in the economy, and that's also why we think of aspects that our initial guidance, where we said, 'Okay, our revenue will grow this year above 30%' – that we slightly changed that this morning, and we're now anticipating a revenue growth for CM in the full year of 'around 30%', so from 'above 30%' to 'around 30%' this year. And that's how we look for the rest of this year, and this is our best estimate we can possibly make as a management team today. So, we feel it's also, in answering your question, that the – yeah, that what we see going on going forward is reflected in this new guidance for the rest of this year.

And then, about your question about a bad debt provision we took, I'll hand over to our CFO, Jörg.

Jörg de Graaf: Yeah. Thank you and thank you for the question. Obviously, the bad debt hit that we had in the first half of this year is very painful, also especially because this is something we actually have a very good track record on. If you look in the last couple of years, the bad debt that we actually incur at cm.com is close to negligible. I think, on average, if it's 20, 25k a year, then that's already on the upper end of the bandwidth. So yeah, it's something we manage closely, so that this is happening is painful.

At the same time, it's a moment to learn. And yeah, I think what we have seen here is we did do some of our diligence. So we checked this customer. It was a company that already existed for quite a while that submitted their financials. They were solid, they looked solid, and still this happened. So yeah, I think the learnings that we already implemented is, first of all, certainly now we're a more global company and becoming more global, we have to know our customer better. We have to get closer to our customer and really know what they do, how they are doing things, what they are.

So that's one thing that we are improving on, and the other thing is also just monitoring it. So we have tooling in place to monitor the exposure on individual customers, and also on the group as a whole, but certainly on individual customers. We made several improvements in our algorithms and the way we get a 360 view on our customers to really assess in real time the exposure that we have so we can intervene immediately when we see red flags and triggers. So yeah, it's something you cannot always avoid, but yeah, we hope this won't happen to us again. And again, we have a good track record into this. We made – yeah, we got our learnings, and yeah, I hope this is the last time I have to report this to you.

Charles Brennan: Okay. Perfect. Thank you.

Dirk Stuip: Okay. Thank you, Charles. That means we go to the second question of today, and I would like to welcome Jeroen Koopman from ABN AMRO. Good morning.

Jeroen Koopman (ABN AMRO): Yes, good morning. It's Jeroen. I had three, actually. You were – you mentioned the net dollar retention rate, which is still good. It's at 115. It went down from 130. Perhaps you can give a few more details about that and what is the ambition, actually, for the net dollar retention rate. The second one would be on the take rate in payments, which went down from 0.35 to 0.17. What is a sustainable take rate for payments? And, while I'm on, I'd be interested in the cash situation – the cash burn you have, how much cash you currently have available for potential acquisitions, or am I right to assume that's in line with the fact that you say you have enough people at the moment and lower cost – that there will not be any meaningful acquisition in the near term or in the – in the second half of the year?

Dirk Stuip: Okay. Thanks, Jeroen. I guess, from the strategy part of the question, I think our Jeroen will definitely answer it, and I think, on the more technical side of the financing part, it will be Jörg again. So, again, I would like to hand to Jeroen.

Jeroen van Glabbeek: Yes. Thanks for your question, Jeroen. Yeah, first part of your question was about the net dollar retention rate. Yeah, we've always been very proud of the growth of our existing clients. It means that our existing clients within CPaaS already grow 15% a year, and that's net, so after churn. It means, yeah, part of our growth comes already from our existing clients, and that's great. That also went well the first half of this year, but we also saw the – one particular thing, and that is that, in health services, our CPaaS volumes came down a lot. So, a year ago, everybody was working vaccine – was calling governments for vaccinations, and governments were sending out a lot of text test results, and that all used our CPaaS platform. Now, these clients around health services globally using our platform for COVID-related services, that went down, and that influenced also the overall number for our NDRR, so a year ago, 130, it was a bit on the high side. Today, 115 – a 15% drop – it's a little bit on the low side. We feel that the normal levels will lie a little bit in between those two numbers, yeah, which is great with – yeah, that's – we start with a little bit lower growth to begin with.

And then about take rate, yeah, we're growing fast in payments. A lot of new volumes attracted in the first half of this year, particularly also this government client. We now are the official payment service provider of the Dutch Government, which is a great achievement and something to be proud of, but we see that also by attracting new clients we – yeah, we become a bit more efficient, but also we lower our selling price a little bit. Clients are also a bit more cost-aware at the moment. But this – we feel that this will be more temporary that the take rate now is down because we are anticipating as well the release of our in-house-developed processing platform, and it's quite unique. Didn't happen that much in the history of Dutch payments that an payment service provider became an acquirer and then also developed their own in-house-developed payment processing platform. Almost nobody has that, and this will give us unique benefits. And that's all already shared in the video – cost control, innovation, better cost. Once we will release that in the course of this year, we also expect and anticipate that our take rate will go up again, because we don't have to pay fees to other acquirers and other processors we use as a payment service provider today. So, take rate today a little bit less than it used to be, but we anticipate that it will go up again after we release our technology in the course of this year. Then –

Jörg de Graaf: Okay? Yeah, let me answer the question on the cash position. So right now, for cm.com itself, we have a cash position of 75 million. The remainder that you see on our balance sheet is related to the third-party money we collect and distribute for ticketing and payments companies. So, you know, that's restricted cash for us. So the 75 million relating to the 100 million that we had by the end of last year, so that's a 25 million step down, of which about 10 million has been used for the acquisition of Building Blocks. To finance that, we partly financed that in cash, but also we bought, actually, some of our own stock to pay that in shares, so that's about 10 million in total. And then the remainder is just a result of our operating result, so that leaves us with 75 million left in cash right now.

Our objective, to reconfirm that, is that we do not need to tap into capital markets again to finance our own growth before we become cash flow-positive. We're still on track to get there, so that doesn't change. For us, there is still some room for flexibility, but yeah, as always, and certainly now, organic growth is our prime objective. So we think we have a good a relatively complete portfolio now, so there's no urgency to do any acquisitions. However, yeah, we are always on the lookout. We do have some flexibility left in our financial position right now, but our focus really is on organic growth, more efficiently and getting into first EBITDA and then in a cash flow positive position, without having to tap into capital markets again.

Jeroen van Glabbeek: Maybe I could comment, or if I can add a few points on that again, because obviously these are uncertain times for consumers, our clients, but also a bit for us. We don't know how consumers will behave in the upcoming quarters and the next years. We don't know how successful our clients will be. And that of course means that we have to, yeah, be flexible, but also focus on the situation. And I think these times, with maybe the upcoming recession, high inflation, high interest rates – I think it asks for a few things for us as a management team. One of these things are, I think, basically also the experience. CM exists for more than 20 years, and we have had more recessions in the past, and we always were successful during recessions. So our products really help our clients to be successful in successful times, and also in less successful times. We help our clients now. For example, now, with labour shortage, we automate conversations, so we make it more efficient for our clients to receive incoming questions, to answer them, with our artificial intelligence. So our products are in an high demand, and maybe more than ever before. So this experience with this we have, and we have provided products for this.

And then two other things are important. There is less certainty about our abilities to tap into the market, to raise capital, to innovations, to do acquisitions, so I'm very happy that we are well financed at the moment – that we have enough money on the bank at hand to go to cash flows – a cash flow breakeven in – yeah, in the upcoming years. At least, that's how we see the situation. And then, thirdly, I think what's also important in situations like this is cost control. Are you able to control your costs? Now, we always said 50% of our OPEX is deliberately spent in growth initiatives. So we have 50% of our OPEX we really need to spend to deliver our products, run our company, but 50% we are flexible. We can spend however we think that is our money well spent in order to grow and develop the company further. And this flexibility really gives us control of our situations, and we have a lot of leverages to work with, and that makes us very comfortable or – yeah, to – also to steer the company in the upcoming years from now.

Just – I just wanted to –

Jörg de Graaf: Thank you.

Dirk Stuip: Thanks, Jeroen. Staying with Jeroen, Jeroen, did that answer your question sufficiently?

Jeroen Koopman: Yes, yes, it does, yeah, so I'll leave the questions while this is going.

Dirk Stuip: Okay. Thanks for your questions. I know the third on our list is, from Kempen, I would like to give the word to Nigel van Putten.

Nigel van Putten (Kempen): Hi. Good morning.

Dirk Stuip: Morning.

Nigel van Putten: Hi. I've got a couple as well, maybe starting off with the very strong performance in ticketing. Is – in the quarter, or in the first half year. Is that now sort of a good representation of what you'll be able to deliver here, or should we expect a much stronger third quarter? Then, maybe as a quick follow-up on that, what is the seasonality in that business normally? Is it really dependent on the larger festivals or events in the summer period, or is it likely that it's a little but more smooth and we can use the 2Q as a – as a reference? That's the first question.

Jeroen van Glabbeek: Shall I answer that?

Dirk Stuip: Yeah. You want to answer it right away? Yeah, go ahead, actually.

Jeroen van Glabbeek: Yeah, a great, yeah, reopening after COVID, finally. Museums open, sport events being held with public. A lot of concerts, a lot of festivals and attraction parks also well visited. We are not at our peak there. We had a very good second quarter – more than tripled our revenue in ticketing compared to a year ago, when also [inaudible] things were also opening again. So, 3.5x more revenue than a year ago in ticketing for us. And indeed there is some seasonality in ticketing. Normally, our second – third quarter is better than second quarter. Why? Because we have the summer months. People go to museums. There is a lot of incoming traffic, normally, with holidays into, like, Amsterdam, where we service many venues, like the Van Gogh museum, and also a lot of sport events and a lot of concerts and festivals. So all the four pillars of ticketing normally have the best quarter in Q3, so we expect a little bit more there than Q2, but indeed there is also a bit of seasonality, and there's still the risk, of course, with COVID, but we expect things to keep open, and we also think it can grow further, not only within the Netherlands, also in other countries.

Step by step, we are introducing our products of the – in the ticketing world, and our products are very strong there. We have a – quite a unique proposition. We compete with more old-fashioned, more dinosaurs, in the ticketing space, where they just sell tickets. And we do – we engage, so we help our clients to engage with their consumer. So it's about building a relationship. It's about clients coming back a year later. It's keeping – staying in the conversation the whole year round. This technology is quite unique in this ticketing space. It's just a combination of what – of our capabilities – messaging, payments, and the software – and we combine that within ticketing. So also what we see at the moment is going into other territories, like the UK, for example, which is also growing fast within ticketing. Yeah, we have new opportunities for new revenue, and also maybe some better margins, even. So step by step we keep on growing, so – yeah, but this, to answer your question about ticketing, we expect more to come within ticketing than what we've shown for the last quarter, although already we are very happy with this more than 3x more revenue in ticketing compared to a year ago.

Nigel van Putten: So maybe stick on – stay on revenue, but a bit broader in terms of – I think Charles already asked a question about second half implied growth about 35%. Maybe I missed your answer there, but are there specific verticals you expect to be stronger, or is it more to do with international expansion? Again, I know the question's been answered, but in my notes I couldn't find the answer.

Dirk Stuip: Jörg, I think this is one for you.

Jörg de Graaf: Yeah. So if you look at our first – the result of our first half year, then obviously that has been held back quite a bit by, let's say, the normalisation of our business, so the fading of the COVID tailwinds that we had, most notably in voice, certainly in Q2. Yeah, that was an exceptional quarter last year, so therefore you see that the reported growth is a bit lower than what you're used from us.

However, if we look a little bit underneath that, then we still see that we are realising growth rates in excess of 30% on most of our products, and we expect that to continue in the course of the second half of this year. And also, typically, the fourth quarter is always a very strong quarter for us, so therefore, yeah, the majority of our revenue is always generated in the second half of the year. That's not just in particular regions; we actually see it really across the board, also with all kinds of events happening – Black Friday, Christmas – you know, there's a lot happening. So – but given the uncertainty, yeah, we took our outlook a notch down not to be overly optimistic about that uptick that we – that we see. But I think the most important thing is the underlying growth drivers of our business are still robust and in excess of 30%. Yeah, we just have to – in Q2, we just had the tailwind fade, so that's really why we expect the 300, 350 million to be realistic and reasonable.

Dirk Stuip: Thanks. [Inaudible]

Nigel van Putten: Okay. Maybe one last – third question also for you, Jörg. You keep sort of focus on cash flow positive by, I think, 2024 in time to refinance, but I think you – you've laid out the maths in June in terms of what free cash flow generation you actually expect would rather be limited to a couple of million per year, in my calculations at least. So, considering the amount you need to refinance, have you ever had sort of conversations with banks already in terms of guarantees that, you know, there is sufficient – you can refinance entirely convertible, or do you expect to maybe use a more comprehensive refinancing package where, at that point, it makes sense to also use other instruments, maybe more dilutive? Maybe that's a bit leading, but the question is have you sort of had certain conversations with market participants that guarantee you that ability to refinance, because it seems you imply that, but I don't actually understand why that would be the case.

Jörg de Graaf: Yeah, so, absolutely. I mean, 2026 is still quite a while out, but we are actively working, but we already really started working actively on different scenarios even before we issued the convertible bond, because for us, the internal discussion we had, of course, is, okay, when you're in a situation where you're cash flow negative, are we more comfortable with equity financing or with a more debt-like instrument like the convertible bond? So, at that time, we already developed a number of scenarios of not only our own performance but also what could happen and how do we make sure that, in 2026, yeah, we won't get into trouble – we won't get into issues.

And, I mean, the first option that could be on the table, but, given the current market condition, seems to be far out of reach is obviously to have it convert into equity. But then, if that doesn't happen – and that's, let's say, the default scenario that we – that we look at, that that won't happen, then obviously there are multiple ways to refinance it. So, first of all, it's very well possible that we will still have a sizeable amount of cash available to just buy back part of the bond ourselves, but there are multiple other ways to do it. You can issue another convertible bond, which, if the share price is relatively low, may actually be quite attractive.

But at the same time, we also want to make sure that, at that point in time, we will be able to refinance it in – with just senior debt, with no more than 3x leverage over EBITDA. And that's – so, you know, there's multiple ways, obviously, to get to a refinancing when needed, but those are the scenarios we're working on, and we're also actively working with our banks on, to make sure that yeah, we're on track, we keep track of the market, and when things come up and are relevant, we're ready to act.

Nigel van Putten: Okay. Thank you very much.

Dirk Stuip: Okay. Those were your questions, Nigel?

Nigel van Putten: Yeah, for now. Maybe I'll jump back into the queue.

Dirk Stuip: Thanks. Okay. Then we go to Daan Arends from Kepler Cheuvreux. Good morning, Daan.

Daan Arends (Kepler Cheuvreux): Good morning. Hi. Thanks for taking my question. You mentioned, if I'm not mistaken, in the presentation that FTE growth should be tapering off. What does that mean for your geographic expansion plans or your international expansion plans? Should we also assume those are on hold?

And then maybe, on the back of that, you mention a couple of things that should limit the cash burn going forward – I think the switch to organic growth primarily, and no longer any M&A, and that's also new, so how should we think about the medium-term growth target of 30% on the back of that? Because it seems to me like we're taking out a couple of elements that should have been contributing to that. Thanks.

Dirk Stuip: Yeah. Thanks for your question, Daan. I think this is one for Jeroen.

Jeroen van Glabbeek: Yes. Thanks for your question, Daan. Tapering FTE – yeah, so we will still be hiring new employees. We also expect that our total number of personnel will grow further, but not at the pace that it used to. Why? We are now at a capacity that we really feel that we can do a lot. We have now more than 1,000 employees globally. We have good teams in Europe, in APAC, in Americas. We have marketing ready, we have the sales ready, we have the product ready. We have a pipeline. We installed also new systems, like a global CRM system, a global ACRM system, so we're really ready to deliver more to grow further with the team we have. And that just means is we don't need many – that many new people, then, as we used to, like, two years ago – two years a little bit ago when we went public. We employed, like, two, three hundred people. Now we're above thousand, so we're three times bigger, maybe four times bigger, in terms [inaudible]. With this team, we can do a lot, so we don't need that many extra people. We are not – we have – we don't experience a labour shortage as much as some others have in the recent. So – because we keep on growing. So, yeah, we're happy where we are. We will hire more people, but not at a certain pace, and also relative – relatively, yeah? So if we – even if we would have hired as many people as we did in the – in the past years, then still we will grow relatively slower, because, yeah, of the bigger size we now have. But that's the first thing, so it's not like black and white that much.

Also, with your – all of the topics you are mentioning, one was about the geographies, yes? So we are in a couple of markets all over the world. We have nice offices, nice places, good people, close to the clients. We speak the language, we understand the culture, we accept the currency, so we're ready to roll globally. We are still open for new opportunities every day. We are still investigating new markets where we can open. This year – the first six months of this year – we didn't actually open a new office in a new geography, but that very much might happen in the upcoming half year. Of course, we have plans ready to expand a little bit further from areas where we're already quite successful. We know that, if we make a little step extra in that territory, that we can be more successful, be more direct with new clients. So it's not that we won't open new geographies, but we are – we keep being very selective, and every – all the stars have to be aligned when we open a new country. So we have the opportunity there, we have the product already, we have the people – the right people, in our eyes. So that are a bit – yeah, the things we're looking at, and so that might just happen.

Same as with M&A; we always have been very selective with M&A. We don't need to do M&A in order to grow. The vast majority of all our growth's always been organic growth, and that's also what makes us so successful, and it's also how we stand out in the market compared to all our competitors – our listed competitors in our markets. We are – we just have the highest organic growth, and we are successful in that: in building our own products, going to the market, selling it ourselves.

So M&A, yeah, we can do M&A if it helps us. If there's – it's a buy or build decision, sometimes the technology is going to help us with scale. And thirdly, yeah, frankly, we see – we might see opportunities in upcoming years with the new dynamics. There might be great opportunities for us to buy a good business at a very affordable price with a high return, and we are definitely open for that. So – but we are selective, so it might also be like in the last half year that we only did, like, one acquisition – a little bit less than we did in the years before. So it's not like black or white, yes, or no, it's just about keeping our eyes open and looking for opportunities, and the same time being selective and keeping the priorities in close control: organic growth and growing further.

So, will this all influence our growth trajectory going forward? No. We still think that, in the midterm, we can grow above 30%, like we always thought before and also always delivered before. And also, with the team we have, the products we have, in the countries we are, and the acquisitions we did, we expect in the midterm to grow above 30%. Because this is what we are: we are, in the end, a fast-growing tech company.

Dirk Stuip: Jeroen, I think a nice , elaborate answer. Daan, did you have additional questions?

Daan Arends: No, thanks.

Dirk Stuip: Thanks, Daan. That means we go to the fifth caller. Actually, we go to Germany. We go to Andreas Markou from Berenberg. Andreas, *guten morgen*.

Andreas Markou (Berenberg): Yes, hi, everyone. Hi. Can you hear me? Yes, you can hear me? Okay. It's actually London, not Germany, but still, it's a – it's a German bank. So thanks very much for the presentation and taking my questions. Two of them, very related to the theme we're hearing today about slowdown, about the macro situation. So the first one is if you can elaborate a little bit on the price sensitivity of clients. So you did mention a little bit about this. Basically, what are the risks to your margins going forward, and what is the risk to your churn rate, actually – you know, clients leaving you and going to competitors who may be offering a more attractive price? That's the first one.

And the second one is again kind of focused on profitability and cash flow. So you've been mentioning, you know, you're slowing down hiring, you're being a bit more selective with opening offices in your regions and M&A. I guess what I want to understand is how much more conservative are you today versus three months ago? And also, thinking ahead for the next three to six months, let's assume a bear case scenario. What are your thoughts, and what levers do you have to pull to protect both your profitability and cash flow?

Dirk Stuip: Thanks, Andreas. I think it's – indeed, it's Jörg to go into these – into these questions.

Jörg de Graaf: Yeah, sure. So, yeah, first, on the price sensitivity, obviously, yeah, there's a lot of inflation around that we see, and also that is, yeah, partly impacting our customers. It is also to a certain extent impacting ourselves here. Our utility bill has gone up, so, yeah, we also notice it. Frankly, if we look at our business model and how we make our money, then it's partly on the SaaS[?] part of things. We don't have that much price sensitivity, because, yeah, we don't really buy a lot. We built a platform; we're rolling that out. Yeah, the only thing is the value of your currency is declining due to inflation. Yeah, then, yeah, we adjust our pricing, like everyone is doing. So yeah, we just adjust our prices in line with our contractual clauses, in line with the rest of the market, so that it's not something that we use to generate a lot of money off, but it will keep us in line with the market – in line with price developments.

What we see on where we have direct buying cost, so on – mostly that's the SMS side, that's a very competitive market, so we don't see price hikes there happening. We also have multiple routes there, so if there's a price hike from one operator, then typically we have a lot of other ways to get a message to a consumer, either through other operators or through different channels. So we – yeah, we have some sort of a hedge against that. But then, at the same time, if there's market increase, also there it is really very common to, yeah, put price increases – to charge them also ultimately to our customers – to the businesses that we serve. So, again, not to, yeah, gain a lot, but to make sure that our price developments are in line with what we see in the market. So I think, in that sense, yeah, we're – our business models are well protected.

What we also see, and what we're very successful at, as Jeroen already alluded to – we're still very successful at attracting the right people. Our model is that we hire very talented young people, and we grow them and develop them ourselves, yeah, so we also see – have seen over the last few years already that our wage rates haven't gone up in line with what you read in the newspapers. So also there we have a model that also, yeah, that sort of dampens the effect. So, in that sense, I think, yeah, we're well positioned to sustain what's happening in the market, but yeah, we keep – we keep a very close eye. We have obviously contingency plans if things happen, but yeah, so far things are going quite well for us there.

Then I think another question that you had was related to how much more conservative are we now than three months ago. I don't think we are more conservative right now. Well, we are more conservative in our revenue outlook, so yeah, we're keeping a close eye on that. The plans that we already developed in building our business, growing our business, have not changed in that sense. So we always anticipated that, yeah, around this time we would have built an organisation of thousand people that would be able to shoulder a large business even than we are today, yeah, so efficiency gains should be kicking in. We're not changing a lot there.

Also, in terms of a bit of a slowdown that we see now in the number of international offices that we open, we have planted so many seeds in the last couple of years that growing them and making them successful, yeah, is really where we think our efforts – our focus should be in. And if we see a great opportunity, we always have the flexibility to act on it, as Jeroen mentioned. So it has not changed our plan, but we keep a very close eye on what's happening in the market, how it's impacting our business, and yeah, then we can respond quickly. As Jeroen also mentioned, a lot of the spend that we have is also discretionary, yeah? We spend it because we believe that's where we create value. If things change and we have to adapt, yeah, we can do that very quickly.

Dirk Stuip: Thanks, Jörg.

Andreas Markou: Okay, that's very clear. Thank you very much.

Dirk Stuip: Those were your questions, Andreas?

Andreas Markou: Yes, that's all from me. Thank you.

Dirk Stuip: Thanks. Okay. I think we've had all the questions coming from the – well, the people on the call. I think we can round it up here. Thank you a lot for joining this webcast, for listening to our story, and I think the questions have proven some valuable additional insights. And, with those, I would like to thank you again, and hopefully we can speak to you on some of the roadshows, and of course you're more than welcome to contact us at any time directly for additional insights. Thanks a lot and have a great day. Goodbye.

Jeroen van Glabbeek: Thanks.

Jörg de Graaf: Thank you.

[END OF TRANSCRIPT]