



COMPANY WEBCAST

A EURONEXT COMPANY

CM.com Investor Deep Dive Call

Tuesday, 14th June 2022

CM.com Investor Deep Dive

Brian Manusama: Good afternoon. Welcome to this CM.com Investor Deep Dive. In the next hour, we would like to share with you CM.com's achievements since becoming a listed company and our road ahead. My name is Brian Manusama, and I'm the Chief Strategy Officer at CM.com, here with Jeroen van Glabbeek, our CEO of CM, and Jörg de Graaf, our CFO.

Today's agenda for this session is as follows. First of all, Jeroen will kick off with highlighting the strategic progress made by CM since the listing and the road ahead, then Jörg will dive into the financial framework behind all of this and the financial impacts, before handing it back again to Jeroen for some closing remarks. We will end the session with the opportunity for you to ask questions. Questions may be asked via conference call or via the chat function in the webcast.

But before giving the floor to Jeroen, I would like to remind you of the Safe Harbour for forward-looking statements, including the presentation, in this presentation, which will be shared on our website after this deep dive.

So this presentation contains forward-looking statements about the company's financial and operating results and statements regarding future performance and our management's future expectations, beliefs, goals, plans and prospects. The achievements or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risk or uncertainties materialise, or if any of the assumptions prove incorrect, the company's results could differ materially from the results expressed or implied by the forward-looking statement it makes.

As further details in our Safe Harbour statements, there are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including but not limited to risk associated with the effect of general economic and market conditions, the impact of geopolitical events, natural disasters, and actual or threatened public health emergencies, the impacts of foreign currency exchange rate and interest rate fluctuation on our results, our business strategy and our plan to build our business, including our strategy to be the leading provider of conversational commerce platforms.

We disclaim any obligation to update any forward-looking statements as a result of the developments occurring after the date of this presentation.

And now, I would like to give the floor to Jeroen.

Jeroen van Glabbeek: Hello, everybody. Today, we would like to take you on a deep dive into our business and strategy. We want to talk about how we have grown and shaped our business since IPO in February 2020, and how we see the way forwards.

So here's an overview of the key points we want to address in this session. We will first take a look at our EBITDA performance pre-IPO. Then, we will show you more about the execution of our accelerated growth strategy, as defined upon IPO. After that, we will dive deeper into our investments, both organic and inorganic. And then move to our insights on margin, OpEx scalability, and return on ongoing investments. And last but not least, our vision on our return to structurally positive EBITDA.

To start off, I would like to say that in our 22 years of history, CM.com has been profitable for the vast majority of the years before our IPO. The last three years before IPO, our average

EBITDA margin was 6%, and that was including the cost of growth we made at that time. Without our cost of growth, our EBITDA margin before growth was approximately 10% in 2019 according to our best management estimates.

Later on in this presentation, Jörg will show you that we estimate our last year's EBITDA margin to be around 12%. And since our revenue grew from €94 million in 2019 to €237 million in 2021, we can say that our profitability before growth has almost tripled over the last two years.

Our financial position since IPO remains strong, as we use the capital markets to attract additional capital through an accelerated book built in 2020, and a convertible bond in 2021. Per year-end 2021, we have €100 million in cash, which offers us ample room to continue to invest and grow our platform business until cash flow breakeven.

And as we continue to grow, we now also see economies of scale starting to kick in, which will further drive profitability in the years to come.

So what have we done so far and how did we get there? Here is a quick recap of the six strategic priorities we did set in 2019, shortly ahead of our IPO. These are: one, protecting and growing the core, amongst others to focus on the customer retention and pricing certainty; two, expanding our product offering; three, enhancing our platform for cross-selling; four, sales through partnerships; five, expanding our geographical footprints; and six, merger and acquisitions.

The IPO enabled us to accelerate the execution of our strategic priorities defined into new clients, new products and new markets. All combined, these have led to the following key achievements, an increase of 700 new enterprise clients. These are the clients that produce over €10,000 revenue each year.

We also won ten new major clients. These are the new clients that contribute a new revenue of even more than €1 million a year. As we'll show later on in this presentation, each new cohorts of clients bring in higher margin. This, together with the growth of existing clients has, led to a revenue growth hike from 14% in 2019 to 67% in 2021.

Then, we doubled the number of key products from seven to 14. Key products are products generating more than €1 million revenue per annum. We also achieved increase in a number of products sold per clients from 1.1 to an average of 1.3. Altogether, we make more margin on the newer and more integrated products.

Thirdly, our strategic objectives of entering new markets led to an uptick from 13 to 23 countries, where we are present, and an improved payback time of 20 months. And while we are still spending 65% of our growth OpEx in existing countries, we already see that the margin in our newest markets is higher than the more mature markets. More on that later in this presentation.

Of course, all these investments in growth did lead to more OpEx. Today, we spent almost 50% of our OpEx in growth-related initiatives. On the other end, we see that our OpEx related to running the existing business have been quite stable related to our growing revenue over the last years. We'll see later on in this presentation that we expect more economies of scale to kick in here.

We achieved these results with a disciplined investment approach. Since IPO, we spent in total approximately €100 million to drive growth in 2020 and 2021. Next to our expansion through

acquisitions, the main growth came from the €60 million we've spent during these two years in amongst others, hiring more developers and more salespeople to organically expand our products and sell them in more geographies than ever before.

The remaining €40 million, we invested in eight strategic acquisitions, mainly to expand our product portfolio. And this has been very successful. The acquisition of CX Company in the summer of 2020, for example, formed the foundation for our conversational AI cloud offering, which we now sell in 10 different geographies, up from only four at the time of acquisitions.

The acquisition of RobinHQ formed the foundation for our successful mobile service cloud products, nowadays sold in 15 geographies, up from only one in 2020. These acquisitions and the other six we did during the last two years all contributed to our revenue growth and margin uptake in the last two years. Since the IPO, our product portfolio has grown substantially due to expansion of key products with higher margins and due to increased cross-selling.

The number of key products doubled from seven to 14, mainly due to the addition of multiple SaaS products. And remember, key products are our products that generate more than €1 million revenue each year. We have seen that our newest SaaS type of products, but also payments, come at a higher margin, and held by a focused M&A strategy at the higher growth than CPaaS.

We now see that almost 70% of our gross profit doesn't come from SMS anymore. And even though that SMS usage amongst our existing and new clients is still growing very rapidly, our new Payments, SaaS and Ticketing products just grow faster. We know that when we sell more than one product to a specific client, the client will stay longer and we will make more margin. Jörg will dive a bit deeper into this later on. That's why we focus on the cross-sell. And we now see that our average client buys 1.3 products from CM.com instead of 1.1 two years ago.

And amongst our enterprise clients, we now sell even 1.7 products per customer, up from 1.2 two years ago. Again, this will all lead to a higher margin and a lower churn. That upwards cross-sell trends is expected to continue, as we have seen the cross-sell ratio for each new client cohort increase.

In addition, we've also noted a strong annual cross-sell increase over time for all cohorts. We have pushed ahead a market expansion. Since the IPO, we have entered ten new markets. This will help us to complement our global offering to our large clients, but also it gives us more access to new geographies. While we keep investing the majority of our growth OpEx and sales in more mature and growing markets, we still allocate approximately 15% of our budget to opening new markets in order to be able to continue to also grow in three or five years from now.

Mature markets represent the bulk of our business and deliver continued growth with increasing gross margins and supported by the shift to SaaS. Scale-up markets provide for attractive economics, supported by increasing SaaS here. Scale-up markets deliver somewhat higher gross margins than mature markets. New markets are the markets which we entered in the last one or two years as part of our accelerated growth strategy.

After one year start up in implementation phase, these markets typically start to show strong growth and higher than average gross margins on the back of our expanded product portfolio

and enhanced cross-sell. Since 2019, we have added over 700 new enterprise clients and ten new major clients.

We have diversified our global customer base with multiple services across eight verticals: telco and utility; technology and media; financial services; leisure and travel; retail and e-commerce, government and education; healthcare; and logistics and transportation. The number of messages, the number of voice minutes, the number of tickets sold, the volume of payments processed and our annual recurring revenue, it all grew tremendously last year, leading to more revenue at a higher margin. We strongly believe that these developments, combined to the lower OpEx relative to our revenue, will lead to a structural positive EBITDA by the end of next year.

Here are some examples of renown clients that we are growing along with through our expanded product offering and geography. We help Radius with a streamlined customer service process through SMS services and chatbots, keeping them in touch with increasingly mobile customers and stimulating cross-sell. Since 2014, we have helped Randstad with SMS general communication to easily inform jobseekers on vacancies. And since 2021, we added live chats and AI chatbots, allowing the handling of inquiries of job seekers and employees.

The key benefit for Randstad is a cost efficiency to eliminating the call centre. We support BMW Group with our SMS gateway solution to support its connected drive service. We are the perfect partner due to our worldwide and stable SMS reach, our expertise and our 24/7 support.

I now would like to hand over to our CFO, Jörg de Graaf, who will now dive deeper into the financial drivers behind these developments.

Jörg de Graaf: Thank you, Jeroen. Hello, everyone. As you have just seen in the first part of this presentation, CM.com today is offering its customers integrated solutions. More of our customers are buying a combination of products not necessarily starting with SMS. Apart from being thrilled, we can offer our customers more value. It is also core to our financial strategy. There is a direct and positive relation between the number of products we sell to a single customer and the gross margin we are making on that customer.

Simply put, a customer that buys more of our products is a higher margin customer, with average margins growing from about 20% for a single product customer to over 70% for customers with more than four products. Selling a solution that comprises multiple products typically includes higher margin products like SaaS, Ticketing or Payments. And in addition, when a customer buys more of our products, the focus is on the value we can deliver to our customer by improving their business. That is a much better conversation than a procurement discussion dominated by price.

More often, new customers buy a SaaS or Payments product from us as first product instead of SMS. As these products have a higher margin profile, we see that new customers, on average, are generating higher margins than before. When buying more products from us, this margin advantage is retained and expanded to a 15% better margin.

Since our listing in 2020, we have invested a lot in growth. But we've also delivered very strong growth results. Each year, we grow our business by existing customer staying with us and growing and spending more with us. On top of that, we added new cohort of customers each year, who will go through the same development and each new customer cohort has a higher

margin profile than the cohort before, by taking more products on average and more often SMS not being the landing product. Sustainable revenue growth and an increase in gross margin is the first key driver of our EBITDA.

Now, turning to operating expenses. Since our listing, early 2020, we've made significant and partly upfront investments in our global organisation to drive but also to facilitate the growth acceleration we're seeing. OpEx increased by about 350% to €66 million, bringing OpEx versus revenue from 20% in 2019 to above 28% in 2021. In this presentation, we have separated the expenses in two categories: new business and existing business.

Starting with the latter. In order to build an organisation that is capable of delivering more products in many more countries in much higher volumes, while also making the transition from a privately held company to being a publicly listed company, we had to invest, invest in people in operations, people supporting existing customers, build out our staff functions, etc., but also create onboarding and training programmes for our employees. And very importantly, we built for scale by acquiring and implementing systems, processes and tooling, allowing us to operate efficiently when becoming a much larger company.

We made these investments of keeping the OpEx for existing business as percentage of revenue stable at 15%. Since many of these costs arose from zero, because we simply didn't have any of it, the development of these costs in the future will be much more incremental, and thus, costs for existing business as percentage of revenue will decline. You can already see that by looking at our FTE growth numbers.

As we have mentioned before, we're comfortable growing organically by about 200 FTE per year. If you do the math of adding 200 FTE each year, you will see that due to the higher employee base, the annual increases of headcount is going to come down from about 90% in 2020, to less than 20% in 2023. These economies of scale in our OpEx for existing business are the second key driver of our EBITDA.

As part of our growth strategy announced prior to the listing, we invested and are investing a lot in growth. The OpEx investments in new business increased from €5 million in 2019, to approximately €32 million in 2021. We've hired many new colleagues in marketing and sales. We quadrupled the marketing budget, opened new offices around the globe. And some of these costs will also start growing more incrementally, now that we have put things in place.

But investments in direct commercial capacity will continue to grow, and we will invest more every year. On average, these investments have a payback time of about 20 months, which we believe is a pretty reasonable return, certainly when comparing it to inorganic growth. If we look a bit closer at the payback time, then we should make a distinction between mature markets, where we are an established player selling a larger part of our portfolio, scale-up markets, where we have an existing customer base, where we are building our brands and where we are expanding our portfolio. And finally, the new markets, where we're just getting started.

About 65% of new business OpEx, we are investing in mature markets that are delivering us the best returns with payback times of around 17 months average. As you would expect, scale-up and new markets are, from a commercial perspective, less efficient with longer payback times. As we keep developing our presence in these countries, we expect them to grow in maturity, and thereby improving the overall payback time.

To return on our growth investments is the third key driver of our EBITDA. Thanks to all of these efforts, investments and achievements since our listing, we're now in a pretty good shape. This is best illustrated if we set our new business apart and look under the hood to the performance of our existing business. As also discussed by Jeroen, in 2019, our existing business delivered an EBITDA of around €10 million. In 2021, this number has almost tripled and approaches €30 million, about 10% of revenue, proving the strong fundamentals and attractive profile of our business.

Now, when bringing all of this together in a financial model, it shows that we have an existing base that will keep growing that will see an increase in gross margin over time as we are selling more products to our existing customers and we'll add new cohorts of customers on top with a better margin profile each year. At the same time, the cost we have to make to service these customers will go down as a percentage of revenue due to economies of scale resulting in an increase in EBITDA on existing customers. And although, we will invest more each year to attract new customers, the EBITDA from the existing customers will exceed that amount from the end of 2023 onwards.

By the end of 2021, CM.com had €100 million in cash available. We are confident that the investments in our organic growth strategy needed to reach the point of not only being EBITDA breakeven, but also cash flow breakeven, can be covered by our current cash position.

And herewith, I would like to hand back over to Jeroen for his concluding remarks.

Jeroen van Glabbeek: Thanks, Jörg. We have seen now many aspects that will contribute to our paths to profitability. In the essence, we spoke about higher margin on new business, consisting of: higher margin on new clients; higher margin on new products; and higher margin on new markets. And this is already happening. And we have showed the progress of these developments in this presentation.

We also addressed the lower operational expenditures relative to our revenue, consisting of: lower OpEx on existing business through economies of scale; lower customer acquisition costs through increased sales efficiency. And after years of scaling up, this lower OpEx relative to our revenue, that is where our focus is now.

To conclude our deep dive, I would like to recap the highlights we addressed today. A strong track record of profitability pre-IPO; a sustainable execution of accelerated growth strategy upon IPO; a disciplined and prudent investment of €100 million, both organic as inorganic. This has all led to: one, higher margin; two, OpEx scalability; and three, improved markets payback.

Our existing business is delivering over 12% EBITDA margin, in euros, almost tripling since 2019. We expect to return to structurally positive EBITDA towards the end of 2023, whilst continuing step up in growth investments.

With this, I would like to conclude our presentation and hand over to Brian to open the discussion. Thanks.

Questions and Answers

Brian Manusama: All right. Thank you, Jeroen. Thank you, Jörg, for these great insights. The Q&A has now been enabled, that means for you that you have the opportunity to ask www.global-lingo.com

questions. If you'd like to do so, please press star one and then we will put you in the queue. We have an operating – an operator managing this queue for us. And when the operator has unmuted your line, please don't forget to unmute yourself, of course, also. And then you will be live in the call. And please start by introducing yourself with your name and the company name. And then please ask your question.

Before we do that, Jörg, thank you for the great insights that you shared with us. If you would summarise our mid-term outlook, how would you specify that for us?

Jörg de Graaf: Yeah. Thank you, Brian. A lot of information has been shared in the last couple of minutes. The translating all of that to a more specific outlook in the mid-term, we are expecting on some of our key financials, then while maintaining our growth ambitions, we believe that our gross margin is going to develop from the mid-20s that we're seeing today to the very top end of the 20s in the end of that term – in the mid-term.

We also expect the OpEx to revenue that today is very high in the 20s, close to 30s to come down as a result of economies of scale to the very low 20%. And then as a result, the EBITDA margin that we will be generating is going to be around mid-single digit. And that will result in an EBITDA performance that is substantial enough to make sure that the refinancing of our convertible bond will be very well doable with a very reasonable leverage. So yeah, we can also be comfortable and confident about that part.

Brian Manusama: All right. Great. Thank you, Jörg, for your explanation. Why don't we go to the first caller for the first questions. Susan, can you help us?

Operator: The first question comes from the line of Charles Brennan from Jefferies. Please go ahead.

Charles Brennan (Jefferies): Great. Thanks for taking my questions. I've got two actually. Firstly, it's obviously very nice that you're communicating this visibility and on the path to profitability. Have you actually changed the way in which you're managing the business to drive a faster path to profitability? Or is this just a communication of the plan you always had at the time of IPO that you perhaps didn't communicate to us?

And then secondly, you touched on the convertible bonds. Are you suggesting in 2026, we should be looking at a mid-single digit EBITDA margin, or by 2026, you're expecting that margin to be higher than that? Thank you.

Brian Manusama: Fantastic. Thank you, Charles, for sharing this question for us. Changed path and convertible bonds. So I would say, let's go first with Jeroen for the changed path of our strategy.

Jeroen van Glabbeek: Yes. Now, Charles, what we are doing today is, indeed, more like explain in a better way how we – how our initial strategy also turn us out into profitability. So what we communicated during the IPO in the first years was mainly about us being a tech company and fast growing. And most of the communication – lots of the questions we got asked were about growth, we grown tremendously in the last year, 67%, of which was 62% organic, year before 55%. So tremendous growth.

But speaking to investors, speaking with investors, listening to investors, we got more and more questions about not only how fast could we grow, but also how do our strategy leads – how does our strategy lead towards a profitability. And that's what we try to explain better.

So to answer your question more directly in terms of path to profitability, I don't think we are really changing what we do. We keep on investing in growth. But what we're doing today is trying to explain in a better way, how this growth is not only driving our revenue, but actually it's also increasing our gross margin and that will lead in our expectations towards more possibility in the coming year. So it's more like a deep dive, so to say.

Brian Manusama: Great. Thank you, Jeroen, for sharing this with us. And then, Charles, the second question was more around the convertible bonds. I assume, Jörg, you want to take that one.

Jörg de Graaf: Yes, happy to take that one. Yeah, so the mid-single-digit EBITDA margin that we are expecting may actually be even a little before the expiration of the convertible bond. Yeah, the point we really like to stress here is that by the time we have to – well, either convert it or roll it over into something new, we are comfortable with our current strategy and outlook, that the amount of EBITDA that we will be generating at that point in time will be more than enough to refinance it in a senior debt way, with a very reasonable and prudent leverage.

Brian Manusama: All right. Fantastic. Thank you.

Charles Brennan: Can I add an additional question that's unrelated. You've obviously shown us how the growth investments are going to fade as a percentage of revenue going forwards. But there's obviously a trade-off between investments and growth. How should we think about the fading growth rates as you fade the amount of investment that you're making?

Jeroen van Glabbeek: Yeah, you take it.

Brian Manusama: Jörg?

Jeroen van Glabbeek: I'll open the right sheet for this and that we can share them as well.

Jörg de Graaf: Yeah. So indeed, as we are – as we explained, in terms of the improvement of our OpEx to revenue, the majority of that will result from efficiency in servicing our existing business that is growing. At the same time, we will be spending more in absolute amount on growth. And we are expecting that the growth ambitions that we already announced will fit within the investments framework that we are presenting right here.

Brian Manusama: Does this answer your question, Charles?

Charles Brennan: Yeah, that's good. Thank you.

Brian Manusama: Fantastic. Thank you so much. Thanks for your question, Charles. Then we go to the next questions.

Operator: The next question comes from the line of Nigel van Putten from Kempen & Co. Please go ahead.

Nigel van Putten (Kempen): Hi, good afternoon. I've got a question. Now you're introducing medium term targets. Should these replace the long-term targets?

Brian Manusama: Thanks, Nigel. Hope you're well. Jeroen, do you want to take that one?

Jeroen van Glabbeek: Yes. The guidance we give a bit today. We also have a sheet about it. I will show you in a minute. Let's go to it. It's like a bit further, we will share the sheets just after this presentation so you have them also as a reference. But here you see it.

Now, in the answer to your question, Nigel, this is more like how – what we want to talk today about our mid-term outlook gross margin and EBITDA margin. Of course, we also communicated a few months ago during our first quarter results the outlook for this year in terms of revenue growth. And we have also the other guidance about margin CapEx and that stays as it is. For today, we want to actually add this mid-term outlook regarding the margin EBITDA to this presentation.

Nigel van Putten: You continue to guide for 30% growth, although it's already in the medium term. That doesn't change. Then CapEx, 5% of revenue. That stays in place. So if you're guiding for mid-single-digit EBITDA minus 5% R&D capitalisation, how significant will free cash flow be in terms of – would it be positive by then? And by what extent? Is there any percentage you were – is that – is it a fair sort of calculation that you take EBITDA and at least to track 5%. Well, then there's taxes obviously. So to what extent will free cash flow be more than slight single digit, or, yeah, go over that?

Brian Manusama: Jörg?

Jörg de Graaf: Yes. So I think, yeah, we should look at this in how these KPIs develop. So our EBITDA margin will develop upward. Also from mid-single digit onward, this is just in the mid-term, but it will continue to develop upwards while we expect our CapEx to develop downwards. So therefore, there is a crossing point, yeah, not too far after hitting EBITDA breakeven, when we will be free cash flow breakeven, but we expect that gap to widen if we look at the longer term, that's also where we issued our guidance on EBITDA and CapEx percentage.

Nigel van Putten: Now very specific, because you said you're going to keep your long-term targets. So to what extent will CapEx not be 5% of revenue? I mean, if I don't understand your answer, I guess. So will it or will it not be 5% of revenue?

Jörg de Graaf: CapEx right now is more than 5% as a percent of revenue. So right now we're investing more. As we are growing and as we are scaling, we expect that percentage to come down. So if you look at the mid-term, then from where we are today, we are already on our way to hitting that 5%. That 5% is more long-term. So it's more on the journey towards the 5% that we're issuing this mid-term guidance.

Nigel van Putten: So it's above 5%?

Jörg de Graaf: It will be in the mid-term probably slightly above 5%, as we are declining from the 8% we are today towards the 5%.

Nigel van Putten: Okay. So then back to the EBITDA mid-single-digit minus 5%. How do you guide on free cash flow? How should we think about that?

Jörg de Graaf: Yeah, right now, we don't guide specifically on free cash flow. But within – we expect that approximately within 12 to 16 months after become EBITDA breakeven, we will also be cash flow breakeven, and therefore grow and growing going forward.

Nigel van Putten: So I guess you're implying that EBITDA will be mid- to high-single digits then? Because if it's mid-single digit minus 5% – yeah, sorry to keep pressing this point, but it seems confusing.

Jörg de Graaf: So if the EBITDA margin is mid-single digit and our CapEx is, at that point in time, still a little bit higher, it means that at the moment, we hit EBITDA breakeven, we will still be cash flow negative, because we will be investing more. But we expect that to diverge quickly after where our EBITDA margin indeed will increase to more than single digit – mid-single digit and our CapEx will go down to 5%. So that means within a year after hitting EBITDA breakeven, approximately, give or take a couple of months, EBITDA percentage will exceed CapEx percentage over revenue.

Nigel van Putten: Okay, thank you. Maybe another question in terms of, to what extent can you disclose the sales you currently have through partnerships as a percentage of revenue? It's one of the six building blocks. But I don't think you ever sort of disclosed to what extent you use partners, in what segments specifically and to what extent that meaningful from a revenue base?

Brian Manusama: Thanks. Jeroen, do you want to take that one?

Jeroen van Glabbeek: Yeah, you can do as well that, because it's part of the strategy, of course, the partnerships is very important for us. And we see that that works. It has – it's full attention. We really believe that today, our main way of growing is organic growth through direct sales. But then, after direct sales, we also have indirect sales and e-commerce. Indirect sales, sales through partners is something we're really developing. It's something which is increasing. We see it working in more and more geographies where we are active, especially in US, I would say is, we have quite a strong proposition to sell also true partnerships who are active in the US market and building trust with their clients.

So central partnerships is working and growing. We have chosen, indeed, today not to give exact figures about this, because still – well, while we're still building this out and also improving our KPIs and an internal reporting around this topic, so for today, we don't share a concrete number of how successful our partnership strategy is. But I'll expect that in the future, we can also talk a bit more about this, but it is – yeah, it is becoming more and more important revenue driver for CM.com at the moment.

Nigel van Putten: Okay. Thank you very much.

Brian Manusama: Thank you for all your questions. Let's go to the next caller on line.

Operator: So next question comes from the line of Wim Gille from AOB[?]. Please go ahead.

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

Jeroen van Glabbeek: Yeah. Loud and clear, Wim.

Wim Gille: Very good. Good morning. Wim Gille from ABN AMRO-ODDO. I've got three questions. First of all, in the presentation, you made it clear that you have seven new key products that generate more than a €1 million in revenues per year. How many of those products did you acquire in the last two years, and how many did you develop internally? And I know it's a very difficult question to answer, but do you have any feeling on how many of those key products you have in the pipeline for release in the coming, let's say, one, two years? That's the first question.

The second is on the new markets that you opened up. And you already indicated the ten new markets that you opened up since IPO. Can you give us an indication which are the most successful launches that you did, and if there are any markets that did not develop as planned?

And as a follow up to that one, if you look at your markets, and you spread them out over Europe versus Americas versus APAC, can you give us a bit of a feeling which products are doing really well in these three regions. So if you compare that to Europe versus America versus APAC, which products are you selling mostly in each of these three?

And then lastly, on the cross-sell. You made it pretty clear that cross-sell keeps going up, arguably, a little bit from a low base, if you look at the broadness of your product portfolio, 1.2 or 1.3 products per client does not kind of look too high. So I assume that there's upside in that, at least as an aspiration to go up. Can you give us a bit of a feeling on where you expect the number to be in the mid-term? And also, how do you incentivise your sales force to basically – or your, let's say, account management teams to basically achieve that cross-sell?

Brian Manusama: Great. Great questions, Wim. Thank you for that. I think he sneaked in a fourth one, to be honest. But first of all, it was on our key products and how we are moving forward in that, about new markets and how successful we are in those new markets, and also what products are associated with that. And then about the cross-sell question. Do you want to take that first?

Jeroen van Glabbeek: Yes, please. Yes, about seven new products. We also have seven products. Now we have seven new key products on top of that, total 14. Some of them we acquired through acquisitions, or what we already – these stakes we acquired the foundation of this new product. So we have a strategy, of course, of how we want to grow, adds more value for our clients and how we step by step want to add features to our platform. And it's always a buy or build decision.

So what we did during COVID during lockdowns, yeah, we looked around mostly within the cloud – close surroundings in Netherlands, what type of technology could we buy for an affordable price and add to our platform to add value for our clients. Because that's always the most important thing. And I really think that three products really were able to deliver so far to the markets because we started by buying the foundation with acquisition.

I think we mentioned two of them already during the presentation. CX Company, there was an AI – conversational AI company, where we bought the technology to really understand the conversation and we took that technology, we implemented and integrated in our platform and made it available for all our clients around the world. So I think that's one product, which we wouldn't be at the level where we are today if we didn't made that acquisition at that time.

Second, we did – we bought RobinHQ. We also mentioned during the presentation that we bought Robin, a great acquisition. Yeah. I think the top of conversational dashboarding is start first for us of CCaaS actually, Contact Centre-as-a-Service. We took the technology, integrated in our platform, made it available globally. And now we sell it also globally. So that's second.

And then thirdly, we – I think also worthwhile mentioning is PayPlaza. They have point of sale technology. Yeah, we were in payments. We did a lot of online payments. But we saw that most of our web shops also has physical shops, and physical retail shops have also e-commerce

nowadays. So it is not only online or offline sales. It is more integrated, more omnichannel. And that's why we acquired the technology of PayPlaza.

I think those three acquisitions were a starting point of the new products. But on top of that, the other four products I would say we more built in-house from scratch and scaled them up. So it's a bit 50-50, where, yeah, our own team of R&D developed new products, and, yeah, fuelled by the acquisitions. I think that's the best answer I could give about these seven new products.

Then the ten new markets. So we opened a lot of new countries in the last two years. And what we basically do is we start with the mature markets we have. We have the scale-up markets. And then being on the ground, being in those countries in the world with the local people we have, we always come up with new ideas. We see more new opportunities. And that's how we develop our growing strategy.

So around these new markets, we look around to see, okay, where can we go next. We get a lot of intel, also from our clients, but also from partners like Google, WhatsApp and Apple. They also share with us some insights of where our potential clients can be, where WhatsApp is growing fast. So we take all this experience and knowledge and also the things we hear from speaking to candidates, listening to clients. And yeah, this led to the next ten markets.

The next – yeah, the newest 10 markets they are, we just opened them one or two years ago. And so we could not quite already judge which one is the best or which is going better, or we are learning a lot. We are adapting very quickly. And we know that after a few years – actually after the first year already, we have a more solid plan based on facts and experience in that specific country how to develop it first.

So for the first ten markets, yeah, we cannot say that much more at the moment of what's going well or not. But we see the overall strategy, yeah, so opening more countries at the same time, learning a lot, getting a lot of information that, yeah, will lead to further growth. And that's why we're still investing 15% of our OpEx in growth in those ten markets.

And then cross-sell, you mentioned cross-sell, 1.3 products at the moment. That's for all our clients, but we do have a lot of clients. So we had all our clients – we took all the clients we have spending more than €100 a year with us. And then we figured out, okay, at the moment, they use 1.3 products. If we look at the more meaningful clients, and we call them the key clients, or the enterprise clients, spending more than €10,000 revenue a year with us, they have 1.7 products on average.

So you could say that the majority of our enterprise customers use multiple features and multiple products already. And yeah, we do everything we can to sell them more, to let them use more, to make them more successful with our platform. And then that is working very well. Each year, we have more new clients, having more new – using more new features of our platform and growing further. So yeah, strategy works. But there's still, yeah, a lot of room to grow further and to develop it further. And that's what we're doing with our enhanced sales team every day.

I hope I answered more – most of the questions. But you have also some deep dive questions. So about the geographies globally, what is it, part of the world where are we selling what?

I think you could say with CPaaS, we sell it everywhere. We have a lot of global clients using our platform to communicate with all their consumers globally. We share the case of BMW. They communicate – they use our platform to communicate, both with the drivers as their cards[?] through our platform and that's globally. There's Europe, there's US, there's China and all the other countries. So we have a truly global proposition for CPaaS.

Then the newer products. We are more focusing around specific geographies. So payments, we only sell in Europe at the time. This is also connected with a licence we have for Payments. Ticketing, we are even more specific. We are really successful in the Netherlands. We're successful in Belgium, growing fast in UK, starting in Spain. So we really have a country by country approach for Ticketing. And that works well because then we can adapt to the market; we can really understand the markets, build cases and grow from there.

And then we have SaaS, Software-as-a-Service. Our – yeah, I think, it's more and more a main product. This is the first conversation starter we have with our clients. And where do we sell SaaS? I think in all of countries first of all, more than 15 countries we sell already SaaS. But I would say it's quite successful of the most in Europe, Africa, Middle East, US. There we sell the most CPaaS at the moment of SaaS, Software-as-a-Service.

Today, we have less new clients in APAC, China. There is more about CPaaS at the moment, but we also see the first of versions there as well. So that will become more global, but SaaS is today a little bit more western world than the rest of the world, I would say.

And then how will we drive sales and marketing? So you asked about sales. How do we drive sales, to sell more products to the same clients? Now, we are organised in a way that we have account managers, managing the relations with the clients and the renewals. Then we have the customer success managers. They really want to make a client successful, and they know that the client will become more successful if they use more of our product. So this is driving, I think, the uses of more production our platform most.

But also in marketing, it's an important job for marketing to do to really explain how and why you should use the CM to the full extent and full capacity. So if you look in our marketing, if you listen to our story, it's all about one platform, which really makes our clients more successful in managing their relations with their consumers. A lot of enterprise we have and brands as these – those are our clients have millions of consumers. And what they really want is a direct relationship with those consumers. And that's what we provide, whether it's for margin or service, that's what the technology brings. And that's how we sell it in our market that really helps in, yeah, putting this number of average products per client.

A long story but you asked me five questions.

Brian Manusama: Thank you, Wim.

Wim Gille: Very good. And I'm going to ask a follow-up question, and that's more on the pipeline for the product development. Nigel already asked a few questions about capitalised R&D, depending on looking at the spend about recapitalise about €10 million to €15 million per annum in R&D. So can you give us a bit of an idea in which direction you are spending that R&D, which type of products and basically where do you expect to launch most new key products coming to two years?

Jeroen van Glabbeek: Yeah, it's like a semi-financial question with our [inaudible] of R&D. So where are we spending the most dollars in terms of R&D at the moment? I think if we do CapEx as a capitalised part of our R&D, we only do that when we are working today on a product, where we know that we will earn money, but that in the future at least expect it very strongly, and not making money with at the moment. So we don't capitalise our expenses for ongoing developments. It's really for new important products, which we really expect it will become important in the future. So we are investing in our future so to say.

And then if I look in the hundreds of different products going – projects going on in the R&D department, I will take two as a main product at the moment. I think, first of all, is the CCaaS, the communication, the Contact Centre-as-a-service so to say. It is like a €100 billion market in the world, where lot of enterprise and brands spend a lot of money to interact with the consumers through call centres in the past is becoming now more contact centres with not only calling but also messaging and more remote.

It's not only in the call centre in the physical building, but remotely, like we've seen already in some very successful cases. These developments we are – yeah, we are building a really good product there. So Contact Centre-as-a-service, it includes our conversational messaging capabilities with also our calling, voice capabilities. It also combines with our AI technology to understand the conversation, to automate responses, but also our newest AI technology to understand the consumers behind the question in – which are residing in CDP, the customer data platform.

So this is new product, where everything comes together, we call it mobile service clouds. This is really one of the most important R&D projects. And we expect a lot of them going forward, because there's a lot of demand from the market as well.

Then secondly, our second most important R&D product, I would say, is the processing of credit card payments. So we already are a payment service provider. We operate the payments gateway, where we help our clients collect money on their behalf and then pay it through this payment service providing. We do already also have a licence to be an acquirer. And that's where we deal directly with MasterCard and Visa and other credit cards in the world to now to work on better schemes.

But what we – what's quite new also in the Dutch market, but also in Europe is to have developed your own credit card processing platform. And that's also what we do. And we have worked on this for years. We are hoping to release it anytime soon. And that means that we have the full control of the value chain and payments. And that's something we really expect a lot from because it will increase our margin. But it will also increase our capabilities in terms of, yeah, how we can deal with new innovations and how we can work on new innovations together with the credit card customers. So credit card processing is our second most important R&D project going on at the moment.

Brian Manusama: Fantastic. Thank you, Jeroen. Anything to add to it from a financial perspective?

Jörg de Graaf: No, I think what is interesting in the CapEx that we spent that also there, that is a form of economies of scale. So if you look at CapEx over revenue per product category, if you like, then the amount we have to invest in CPaaS, is, as a percentage, a lot lower than any

other ones. And they're also we do see economies of scale develop. And yeah, that's also what is going to drive the overall CapEx over revenue down in the future.

Brian Manusama: Cool. Thank you. Thank you so much. Thank you, Wim, for all the very interesting questions that you shared with us today. Let's go to the next questions, please.

Operator: The next question comes from the line of Daan Arends from Kepler Cheuvreux. Please go ahead.

Daan Arends (Kepler Cheuvreux): Just one for me, please. I think it's fair to say that CM broadly deteriorating the outlook for most [inaudible] especially Europe since the start of this year. Well, when I look at this path of profitability and I think the broad strokes of this strategy that we're seeing here today, it seems relative [inaudible]. Can you talk a little bit maybe about how recession proof you think your strategy is, and how comfortable would you be [inaudible] enter recession in Europe in 2023 for example?

Jeroen van Glabbeek: Shall I start with the answer?

Brian Manusama: Sure, go ahead. Yeah.

Jeroen van Glabbeek: Yeah, Daan, I couldn't hear every word you asked, because the – we had a bad connection. But I really understood that your questions about recession and recession proofness. And if you look back in our 22 years history, of course, we've worked with many types of economy. We have seen recessions or bad times before. And the great thing about our products is that it has proven to be successful in good times as bad times.

So when everything is growing and thriving, then we go out and we say, okay, we help you with improve your customer experience, and we make you the most beloved brands in the world leveraging with our technology. Nowadays, when we are fear maybe a recession coming up, we see that our clients change their mind and they are more thinking about how can we maybe become more efficient in our call centre, how can we become more direct with our marketing efforts, how can we be more effective when we're spending money in terms of relationship and engagement with our consumers.

So what we basically do is we take our products, leave it as it is, but we change our messaging a little bit, and we make sure that our clients are still successful, but also in the new way of measuring success at the moment. So I think we are – our product is really prepared also to be successful in a potential recession and also in – we know how to grow and earn money in those times as well. So we have to see how everything evolves. But I'm quite confident that the multiple scenarios we work with in the different scenarios, how economy and the world can develop, that we can have success, yeah, in both ways. Yeah. Maybe Jörg also add something as well on this?

Jörg de Graaf: Yeah, no, I think you're right. I think, yeah, we, in our portfolio, have proven to be resilient and adaptive. Also, if we reflect back on what happens during the COVID crisis, then, yeah, we also see that initially, the whole market was impacted, including us. Yeah, but then, by applying our technology to whatever is needed at that moment in time to serve our customers best, yeah, we've been able to flip that around. So the timing may be a little bit shaky and bumpy. But I think that's pretty core to who we are as a company, and how we operate being adaptive, not only in the Netherlands but around the world with a broad portfolio. So yeah, I think we have what it takes to anticipate and respond to that.

Brian Manusama: Great. Thank you.

Daan Arends: Okay. Thank you.

Brian Manusama: Great. We go – thank you, Daan, for your question. And we'll go to the next caller.

Operator: The next question comes from the line of Andreas Markou from Berenberg. Please go ahead.

Andreas Markou (Berenberg): Yes. Hi, everyone. Thanks very much for the presentation and taking my question. My question is basically a follow-up of the previous question on how recession-proof you are. So let's take a bear case scenario, where inflation keeps rising and that actually puts pressure on your personnel costs. Clients – your clients become more conservative with investment decisions, and thus kind of delay new product acquisition from you. And at the same time, they cut their marketing budgets and overall volumes that you're seeing on your platform, both on payments, but especially on CPaaS. It goes down. How much buffer do you have in your guidance? How conservative is your guidance versus this scenario I just described? Thank you.

Brian Manusama: Well, typical. Jörg, it's all yours.

Jörg de Graaf: Yes. So thank you for the question. There's a couple of elements that you mentioned. And yeah, obviously, that could happen, or partly maybe are already happening. We think inflation is something that we see all around us right now. For us that, yeah, it's implying a couple of things. So one is the contracts that we have, we're typically able to adjust for inflation. So that gives us a relief of that pressure. So I think that's pretty important to understand.

On the OpEx side, obviously, there's also upward pressure from salaries that are out there in the market, and, yeah, that need to be paid to retain and attract the right talent. Obviously, that's also something that we see happening. At the same time, up to now, we've always had the strategy to recruit most of our people at a relatively junior level and then train them ourselves. So we have our people grow within our organisation to more senior positions.

Up to now, that has resulted in an average cost per FTE that has been flat for the last few years. So yeah, we may be impacted a bit, but we still have that mechanism going. And then, in terms of what buffer there is, if you like, in this outlook, obviously, very major things can happen that will throw this outlook, of course. But what we have not included in this outlook is any means of cost reductions, restructurings, etc.

So if we really have to – if market conditions really become tough, yeah, then there's always other interventions that we could do and that we could act on to make sure that the profitability side, yeah, will still be delivered on. But our intent is, and that's how we also built, we keep growing, we keep investing in growth. And we have some flexibility to move around both in our business model, but also in the – yeah, the dynamics, the KPIs underneath this outlook.

Brian Manusama: Fantastic.

Andreas Markou: Yeah. That's helpful. Maybe if we go a little bit on the top line. What percentage of your top line is marketing activity related for your clients? Is that something you can give us? Thank you.

Jörg de Graaf: Yeah, we don't specify that out exactly, because it's really spread over multiple products. So we have – a part of our SMS business is related to marketing messages. Same goes to bundles, OTT bundles, but then we have our mobile marketing cloud. So yeah, it's really spread over multiple products. So that's not something that is very easily disclosed and projected here.

Andreas Markou: Okay. And –

Jeroen van Glabbeek: Yeah, maybe I can add something. Yeah, about your question. Of course, thanks for really good question. Of course, our clients are very careful in how they spend their marketing budgets. But the thing is that what we offer to the market is a more effective and more efficient way of communicating with your audience. It's direct. You don't have to advertise not on television, not in the newspaper, not on social media. You have your own direct database, whether that's email or phone numbers, you have your own data, your own data platform which you provides, and then you can reach out and go directly to your existing customers and consumers.

And this is very valuable for our clients, also for the clients who use us as a marketing methodology. And especially in some long-term, this is, yeah, to be expected. We can expect a bit more growth from this instead of decline. Yeah, if you really are careful with your marketing budget, you should spend more of it with CM.com I would advise.

Brian Manusama: Great.

Andreas Markou: Okay. Thank you very much.

Brian Manusama: Thank you, Andreas. All right. We have some additional questions. Let's go to the next one.

Operator: The next question comes from the line of Nigel van Putten from Kempen & Co. Please go ahead.

Nigel van Putten: Hi. Thanks. A couple of follow ups, and actually, yeah, back to the recession. So I haven't – I don't think we can download the slides yet. But I'm looking at sort of your previously communicated targets to the market, where revenue growth is 30% in the medium term. Now, I haven't specifically seen that in the presentation today but that's still there, right? And that should be 30 - that should be read as 30% per annum in the next couple of years. Is that the correct assumption?

Jörg de Graaf: Yeah. That's the – we're not adjusting any of the guidance we already issued.

Nigel van Putten: Okay. And then maybe to clarify, because 26% gross margin last year. Now guidance in the medium term read '25, '26 – 2025, 2026 towards the high end of 20s. Let's read that as 29%. So that's about 3 percentage points. Now, how should we get to a 20% EBITDA margin in the long-term? Do you see that growth accelerating because it's 3 percentage points in about three to four years? Will that increase faster as we move into the later part of the decade? Because, yeah, I'm assuming that 15-20% OpEx will still be there. So I can't really get to 20% EBITDA margin even in longer term, even beyond 2030 based on the assumption I'm making, but maybe I'm incorrect. If you could give a little bit more colour, especially on the gross margins, that will be helpful.

Jörg de Graaf: Yeah, absolutely. So indeed, in the short-term, we see – right now, we see some stabilisation because of the mixed effects due to the tailwinds that we've had from COVID tapering off a little. So in the short-term, yeah, we have some effects, yeah, that we kind of cover with extra growth, mostly from our SaaS business and our Ticketing business that's now picking up.

Going forward, yeah, we do indeed expect an acceleration in the longer term. So by now, it's about a 1% step up annually. But as we are selling more of our SaaS products and more products to our customers, yeah, we see that there's an acceleration coming up there in the future. Yeah, but we also don't want to be like overly ambitious and optimistic, as you know us. So in that sense, for the mid-terms, so the next three-ish years, we stick to about 1% a year.

Nigel van Putten: That's clear. Thank you very much.

Brian Manusama: Thank you so much, Nigel, for your question. Few more to go. Let's go to the next question.

Operator: And the next question comes from Wim Gille. Please go ahead.

Wim Gille: Yes, good afternoon again. In terms of margin, let's say, development, obviously, we have the mid-term margin and the mix effects that are kind of increasing the gross margin in the coming years. However, for 2022, obviously, we have a bit of a, let's say, retraction of the margins, predominantly in the CPaaS business, as to the voice business is basically coming down in terms of percentage of the sale to CPaaS business. And if I read the presentation correctly, your voice business is doing about somewhere in the mid-30s in terms of gross margin, whereas the messaging business is doing below 20s on average. So where do we stand as percentage of total revenues? Sorry, as percentage of total revenues, the voice as percentage of total CPaaS revenues this year? Where do you see that heading in 2022? And should we expect that business to start growing again as a percentage of total revenues after 2022, as the headwinds from COVID, in this particular line – the business line are over? Or should we keep it stable? Or how should we read that? It's a bit of a messy question as well.

Brian Manusama: Thank you for that. Jörg?

Jörg de Graaf: Yeah. So let me first give an answer and then maybe, Jeroen, you want to add to that? Yeah. So indeed, I think you're right in your assessment of our – a breakdown of our CPaaS portfolio with SMS and voice. The tailwinds that we've had that are sort of winding down or have already wind down – wound down are having a negative impact on our growth, if you look at it also for this year of about 10-15%.

So even though the guidance that we gave of 30-40% growth that already incorporates the pressure of the tailwinds from voice that are tapering off and so pulling our underlying growth down by about 10-ish, little over 10%. So yeah, that's, I think, a very good thing to. Afterwards – after that has gone, we believe that there is a very attractive use case for voice in our portfolio, especially if you look at our Contact Centre-as-a-service. There, yeah, voice is still the largest channel. And therefore, as we grow and scale our SaaS business, that channel will become more important as well. So we do believe that there is a very specific growth path for voice within our current portfolio setup.

Maybe Jeroen, you want to add to that or?

Jeroen van Glabbeek: No, I think – yeah, no – yeah, it was also part of the question, Wim about the margin. How will this impact margin if voice temporary goes down and then goes up again, how will that play with our margin? Yeah, I think it will not help us forwards in moving our margin up. That's coming from cross-sell. That's coming from SaaS. That's coming from payments. It's coming from the recovery of ticketing, as we see. When everything opens again, we see a lot of more tickets happening. So the crowds and new clients, new products, and new markets will really drive margin up.

But indeed, in a really short-term, this – yeah, there is still with a bit sort of headwind anymore with voice during COVID. Well, it's not helping, but we think – yeah, if we put everything together, that our margin will go up in the upcoming years towards high 20s. But there's not the end. I think after that, there are still a lot of reasons why it can even go up further because payments has a higher margin. Ticketing has a high margin. SaaS has a higher margin. So this is – the start which we see for the upcoming years.

And then after that – we are a long-term company. We are existing for 22 years. We – I hope to be here for the next 22 years and together with the rest and we will have ample time to grow further in terms of margin. And in the meantime, yeah, when we scale when we grow, economies of scale will kick in. We will become more efficient in terms of sales. And we see already the payback time of sales and marketing efforts is becoming shorter, so which is positive.

And altogether this, yeah, this will drive us forward. But you're right about what you mentioned about voice in short term.

Brian Manusama: Great.

Wim Gille: So to rephrase the question, make it very simple. This year, you have a tailwind on the voice part within the CPaaS portfolio. As of 2023, do you expect voice to grow faster than SMS? Or do you expect SMS to grow faster than voice?

Jeroen van Glabbeek: Yeah, I think we cannot originally be comment on that at the moment because you know what, at least with CPaaS, it's a big market. It's fast growing, and we are one of the best in the world. We are the fastest growing CPaaS company in the world at the moment, if you look at organic growth, and this is such an attractive growth. So we always try to outperform growth. And we are successful in doing that with payments and SaaS and all the new things. But yeah, it's still a very attractive market.

And we're glad that we are in CPaaS markets, which is a very positive part of the whole tech worlds. It's a big market. It's growing fast. And we are playing a very good role in it. So we're happy with it. But I cannot comment exactly on how fast one or the other will grow relative to each other at the moment.

Wim Gille: Great. Thank you very much.

Brian Manusama: Thank you. Any other questions are there?

Operator: There are no further questions, so I will hand back to your host to conclude today's conference. Thank you.

Brian Manusama: No more question guys. So we have come to the end of this Investor Deep Dive. Thank you very much for joining us here today. And we'll hope to speak to you soon

either on the earning calls or on some of the road shows that we're at. Have a wonderful day everybody. Thank you.

[END OF TRANSCRIPT]