Transcript Intended Acquisition of Building Blocks by CM.com

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Anneke Hoijtink: Good morning. Welcome to today's analysts and investors call on the intended acquisition of consumer AI technology company, Building Blocks. My name is Anneke Hoijtink. I'm Head of Investor Relations at CM.com. And with me is Jeroen van Glabbeek, our CEO.

Jeroen will elaborate on the acquisition, and afterwards there will be opportunity to ask questions.

I would now like to give the floor to Jeroen. So Jeroen, please go ahead.

Jeroen van Glabbeek: Good morning everybody. Today we would like to share three things to the market. One is that the growth of CM.com is going well. Earlier this year we shared revenue guidance with a revenue of €220-240 million.

Consistently we have kept it the same as in October and now, close at the end of the year we can share that we will end up at the high end of this benefit. So that's good news, it means our organic growth's going well; new clients, further growth, existing clients growing, so that's all good news.

Second thing we want to share today is the renewed strategy going forward, of which consumer AI is a very important part. And related to that, of course, the main news for today is the acquisition of Building Blocks company, specialised in consumer AI technology. Building Blocks is a company with 40 employees in Tilburg, close by our HQ in Breda. Like us they also have an office in Amsterdam and clients in several countries.

Consumer AI will be more important. And I think we are the first in the market to do this. Conversation AI was something we already did for a while, to understand the conversation. And now we also step into consumer AI to really understand the consumer behind the conversation. And that will really help, of course, our enterprise customers to increase their conversations and their conversation commerce with their clients.

So let's start. Why is this a strategic fit and what are the highlights of the transactions? First, it's really the next level in conversational commerce. So I think with CM.com, we always have been leader in the CPaaS markets. We are a company with many 'firsts'. We were the first to combine payments into CPaaS. We're the first to reach portfolio of channels like Google, RCS, Apple Message for Business, WhatsApp and Facebook and those types of clients as well. And we have many other firsts as well. And now, this next step with consumer AI, I think, is the beginning of a new future.

It's high value consumer AI functionalities and we want to include that in our whole portfolio. So we have a lot of clients already of course at CM.com. They're using our platform on a daily basis. And they use it to improve the communication with their clients. And what we're planning to do with the existing group of employees of Building Blocks, but also the future data scientist who we would like to employ in the future, we want to really include this AI technology in all parts of our technology. Whether it is for messaging, or voice, customer care, customer support, marketing, all type of business uses of our enterprise platform can be enriched with this new intelligent technology.

And this, of course, will lead to cross-sell opportunities among our existing, but also new customers. And like we did with other acquisitions we did over the last two years, during the lockdowns, of course, it's hard for us to travel. We did a lot of acquisitions – I think four this year, three last year – all close to our head office in the Netherlands. So we could really get to know the people and start integrating. But, of course, the goal is always global expansion. And so how can we make this technology, which is really successful here in Netherlands, how can we make it globally successful.

And we've seen the first successes with the other acquisitions we did in the last year and also, we are committed to make this also a global success.

Then about annual recurring revenue. It's a new metric we just disclosed in the last quarterly figures. In the last 20 years, it was all about transactional growth and it still is. We do a lot of transactions, whether that's tickets or payments or voice minutes or text messages or all type of messages, but this recurring annual revenue as part of the SaaS software – Software-as-a-Services – is becoming increasingly important. And in order to make that an important revenue stream – it's already becoming every day – it's also good that this acquisition will help with the recurring revenue.

At the moment, the annual recurring revenue of Building Blocks is around €4 million a year. That looks small compared to the total revenue of CM, which is close to €240 million this year, but it grows fairly fast. So CM's a fast growing company together with also Building Blocks. As you look back for the last three years, the annual revenue growth was 97% of revenue.

So we expect this acquisition to become bigger and bigger in the upcoming years. And, of course, this will also help us with our second goal. So the first goal is growing the revenues. Second goal is also increasing our margin portfolio. This acquisition has a high gross margin, around 80%, 90%. And of course, the mix will help with our margin as well.

Now, how far are we? We just signed the first heads of agreements contract last night. And that means we are in exclusive negotiations to end the deal in the upcoming weeks or months. Hopefully somewhere in the early next quarter we will close the deal and we will pay it in a combination of cash and equity.

Cash is available because, we issued convertible bonds 1st September, where we raised €100 million quite recently. So a huge part of it is cash, but also equity is a good part of the acquisition in this case because what we are buying is a very entrepreneurial company and we also want to have the entrepreneurs of Building Blocks onboard. And they will be also one of our shareholders, because we paid part of it in equity.

Now, some background about AI technology on the next slides. That's why we think that AI technology is the next step and why specifically consumer AI, and, of course, we are already successful in conversational AI and we understand the conversation. What you see in the market, in the three boxes we have on this slide number three, nine out of 10 enterprises at the moment, believe that AI will help them to improve the conversation they have with the consumers.

A lot of enterprise companies in the world are thinking about how to make their deals – their services of customers stay successful with AI. And CM is going to help them with this AI technology with integrators. It really is a priority for those enterprise customers all over the world and the market expects a lot of growth in the field of AI.

On top of this, what is shared in the market by industry analysts, I think our own vision has always been that we really want to have an integrated platform, where our customers can go to look in to everything themselves. And AI is a part of it. We make it integrated with our platform and this is just a start.

Going further to sheet four, what is Building Blocks? They want to have more relevant and personalised customer interaction, and especially this personalisation is really important. This makes the communication personal on a massive scale. Our vision has always been: I want to have a direct interactive connection with WhatsApp – through WhatsApp or other channels with brands. And, let's say, I need new sports shoes, I just want to app Nike or Adidas or whoever directly and I want to have new sports shoes. You know where I live, you know how I want to pay, you know what I need. And just send it to me, like, the service you have in the bar where you know the bartender. So highly personalised services, that's what we want.

And this technology really helps. It helps with consumer guidance, how to select the right offer like they do for web shops. Like one of our clients does: you go there and you get a good guidance of the products. But also take for example another client in the travel industry, like they handle all of its clients. They can advise you on what is the best fit for you with consumer guidance.

Then we have consumer engagements. This is important for many reasons: with the right moment, right time, the right message, the right consumer and that is not that easy. Of course, you can do that over the CM.com platform but you have to understand who your clients are, you have to have the data. And going forward, we want to advise our consumers better what to do, when to do it and how to do it based on AI technology.

And lastly, of course, consumer care, customer service, that is also very important. Really understanding not only the question your client asks, but also why they ask it and who they are – who is the consumer behind it and how to give them the best possible service. AI will definitely be an important part of that.

Going to sheet five, this is about CM. About the CM conversational commerce growth model. We have many clients and most of our clients historically started with one or two, three different parts of the CM platform. And they embrace our vision that over time, they will use it all. More

and more, we see new clients coming in and use more products at the start, so they embrace the richness and the fullness of our platform. And for each and every client, we have our own growth model.

We know they maybe start with communication platform but then after a while, we have a lot of communication going on, we can also add AI to know your clients better. Because we store it in a data platform, we can also engage with them through the marketing platform. And when you have those successful marketing going on through our platform, then it can lead to commerce and we can do the payments. And in the end, if your new clients ask questions, they also want to do it through the mobile phone and therefore you need the mobile service cloud.

This growth model really works for our clients to guide them step by step to use more of our platform. And also, really attractive to come in – to join CM, because we're not specialised in just one thing and are very successful. You don't need a lot of different suppliers, you just need CM, we have it all under one roof, in one platform.

About the clients and the customer base of Building Blocks. They specifically are accessing four different verticals, which they define in a way shown on sheet six. We also shared a few of their customer names, clients well-known in the Netherlands but with international vision, so also active in other countries.

Up till now, they have been very successful in those four different verticals. So short cycle shops that means shops where you come often and you buy a lot. Long cycle shops, that is opposite. It's like you want to buy a kitchen or a car but only you don't do that every day. You only do it once in a few years. But then, if we have a conversation with – about buying a kitchen or a car, then, of course, you need the best possible guidance and help. AI can help here as well.

Subscription models is part of the verticals, and the consumer brands. There are also customers of Building Blocks that are sometimes the same customers as we have. So we have already spoken to a few of the mutual clients and they were all very happy that we go together. We also make the effort from years to join the products and make it successful for them.

About the figures. Annual recurring revenue is important. Here, we share the annual recurring revenue as we shared in Q3 of this year, so a few months ago. You can imagine that today, the actual figure is already higher than it was back then, but we will report on that with the annual results, 17th February. So let's say we have €20.4 million annual recurring revenue. This acquisition today has €4 million, more or less, today, so that will add up to €24.4 million.

But Building Blocks is growing fast, 97% CAGR over the last three years. Also our ARR business going really well. So this will be a driver for future growth of CM. It's also a flywheel for extra transactions in messaging and in payments and in communications – all the communications and payments. And that will be the next step in our trajectory to more annual recurring revenue going forward.

We summarise on page 8 the key takeaways. Consumer AI is and will become an essential part of conversational commerce. We are one of the first to make this happen in our markets, as well enhance, of course, our up and cross-sell opportunities. We will boost the global expansion of Building Blocks but also they will boost our global expansion as well. And now for CM, it will shift a bit – help us to make the shift to higher value-added businesses with higher margins all together, as a higher core plus margin.

And it will help to drive further our SaaS-based and recurring revenue. So all together, we are very happy today with the combination of all these announcements. And lastly, it's also important because we got many questions about it, how are we going with the revenue. We're adding clients every day – our clients grow every day. And so we are happy to share that we will end up in the upper end of the range of the early communicated range of €220 million to almost €240 million of revenue for this year. So that's good news.

That is what I wanted to share from my part. Thank you very much for your attention. Are there any questions?

Questions and Answers

Wim Gille (ABN AMRO): Very good morning. I've got a few questions quite obviously, first on the business model and the technology behind it. So just to understand the products that they are selling. Is it proprietary software? Is it custom-built algorithms? Are they selling subscriptions or do they also include success fees – sorry, service fees and setup costs, etc. So can you give us a bit more feeling on what is the actual products that they are selling? And how does this translate into their revenues? So is there may be a split between setup fees, advisor fees, consultancy fees or just simply recurring subscription fees? So that's the first question.

The second question is on international expansion. In the press release, you mentioned that they have offices in the Netherlands. On their website, they also have an office in Stockholm apparently. Can you give us a bit of a feeling on what their recent history has been in international expansion, if they did have a bit of expansion there? So, what's the split domestic versus international revenues and maybe split in the headcount?

And lastly, on the outlook. You upgraded the outlook. What actually drives you to increase the outlook? Is it basically coming to the end of the year, seeing that the numbers end up at the higher end, or is any of your products just simply doing better than what you anticipated? And most notably, you highlighted that you expect voice minutes to decline in Q4 versus Q3. Maybe that did not occur given the surges of COVID here in the Netherlands and the associated booster shots and test deployments. So can you give us a bit more feeling, has the underlying business improved, or is it basically coming to the end of the year, getting more clarity around the outlook?

Jeroen van Glabbeek: Thanks, Wim, for all the questions. First question was about the business model of Building Blocks. What I really like at this – about the business of Building Blocks is that it's really measurable where they add value. So how they approach this is that every year, they have many new clients and they do pilots. And the clients pay for this pilot. It can be like €10,000 or €20,000, even €50,000 but it's a one-time fee, the client pays one time. And they say, in the end of the pilot, it can be week or a month or three months, 'We prove you that you will earn more money if you use our technology.' So they do many pilots. And sometimes, it works, and also sometimes it doesn't work. But they say, 'Okay, we did it in the pilot. We stop it. You don't need to become client because we cannot prove you that we add value.' But with every client – every year they win clients out of this methodology.

And this new clients, they get one contract with two things in it. One is a recurring fee for usage of their software. So they have like an enterprise software license. It costs around €15,000 a month, one-five, €15,000 a month. And then you use the enterprise software of Building Blocks. And then you can do multiple things with AI. But, of course, this is still a bit complicated. So you

have to connect some data. You have to share things. Make connections, make some decisions. And therefore, they also help the clients with the data scientists.

So the 40 people working for Building Blocks today, most of them are data scientists and they spend most of their time in building the technology and improving the technology, making the algorithms. But also the data scientists of Building Blocks, they spend one-third of their time in helping clients to make clients successful and they get paid for that as well.

But not only do they get paid for helping their clients in making them successful, of course, they also learn. So the same data scientist is like two-thirds of his time working for Building Blocks improving the product and one-third of the time busy with making the client successful. And this knowledge of course they use then again in improving their products.

So, what is the product? It is a platform, rich software algorithms and a lot of technology, AI technology, which is available in the market which they use or they build or they improve. And then they sell it through a recurring license to the clients.

That is something we see.

Wim Gille: If you look at the €4 million of revenues, so what is the recurring fees that you have, other than the €50,000 a month? So how big is that part and how big is that part where they do basically pilots and maybe tweaking customisation or whatever?

Jeroen van Glabbeek: Now, the €4 million we communicated was the annual recurring revenue. So that's not a full revenue. There is more revenue to it. But that's less interesting in our model. So part of the revenue we took to communicate is the €4 million annual recurring revenue.

Wim Gille: So that's basically the €15,000 per month times 12 times the number of clients?

Jeroen van Glabbeek: Yes. And there are some details but that is in general the fact, yes. And then out of that, 75% is pure licensing fee and 25% is a fee where it is also some customer success work where they help the clients to make them successful but they have to spend some hours of course to make them successful. And this is what we see more and more happening over the last years, in order to make your client really successful you also need to spend some time with the client, of course, to make them successful use data of the client and of the products. And clients are willing to pay for that also for Building Blocks. That was about the business model.

The second question you asked was about the global expansion, how global is Building Blocks. Now, they have clients who are active internationally, but the majority of the work is in the Netherlands and surroundings. Also like other acquisitions we did earlier, for example, where we acquired a year ago, RobinHQ. They predominantly were active in the Netherlands. But nowadays, we sell everyday RobinHQ products, and half of the time it is in our other countries outside the Netherlands.

So we also, here, envision a lot of growth outside the Netherlands once we have this up and running in our international sales offices. But also today, they have already international work for their existing clients. One of the clients is Basic-Fit. They help them with churn reduction. And as you know, basically there's also businesses in France and in Belgium. So they grow with the clients, international teams for Corendon and Otto and the like. So, there is international expanding in their business, but it is all more Northern Europe focused.

First, means that we want to invest also in making this a global success and it also means that in some of our countries that we will start, we have to start also to hire a few people in data science to help the clients and make them be successful. So that's about the international part.

Then about the outlook. Why are we now on the upper side of the revenue guidance? I think basically, because a lot of things are going well. I think when we communicated for the first time, our guidance, it was in April. Then we said €220 million to – sorry, €200 million to €220 million. A few months later already in July, we had to increase the revenue, because we had an exceptionally good second quarter, so we increased revenue guidance to €220 million to €240 million.

And then in October, three months later, we wanted to be a bit consistent and stick to the same range. What we see every day within CM is that's going really well. We have a lot of new clients, and clients are growing. And indeed, with COVID-related measures, we have a bit of both sides nowadays. In the summer, we thought in a way we have COVID and then we earn a bit more money with the COVID-related services, but everything else is then in lockdown; or we don't have the lockdown, everything is open and then we sell a lot of tickets and we can do more travel and attraction parks. And then we earn money that way.

But we didn't know exactly how things would turn out last summer when we started communicate this times. Nowadays, we know that we have a bit of both actually. Yes, we still earn money with COVID-related measures, but we also don't have a lockdown, so we still also earn money with travel and leisure industry and retail.

So, because society found ways to live with COVID whilst not all at home yet, both of the aspects worked well and that's I think why we are now in the upper end of the range.

Wim Gille: Very good. Maybe a follow-up question on Building Blocks. You mentioned the – broadly speaking the numbers. So €4 million is, give or take, the subscription part of it, of which 75% is the pure license fee. So if I worked that back with €180,000 per client, you get to almost 20 clients for – big clients for this particular company. Can you give us a bit of a feeling what the retention rate has been in the last three years with these clients? Is it just that they kept all the clients and more or less doubled the number of clients in every year? Or do they also every now and then lose clients, so mostly churn?

Jeroen van Glabbeek: The retention rate is very good. So we – I don't know the exact number but what we've seen up till now is that the churn is in line with our own churn. And our own churn obviously passed 4%, so it's a bit in line with that. It means they keep almost all the clients. I know that one of the clients went into bankruptcy during the COVID and then, so we lost this one client. The rest of the clients stayed. So normally, all the clients stay more or less, so high retention.

And this, of course, makes sense because they prove, before they start with the client, that their model will work and the client will earn more money by using the services. So clients are happy to stay with them and we see therefore a low churn.

Anneke Hoijtink: Thank you. I think we can go to the next questions from the following person.

Nigel van Putten (Kempen & Co): Thanks, Anneke. Yes, I have maybe a question. I mean, I read the press release this morning and I spent some time on the website of Building Blocks, a company I don't know personally. Is this a recommended system, I mean, to sum it up in one sentence – one word or two words actually? Would that be the best definition of what you're actually buying? That was my first question.

Jeroen van Glabbeek: Now, if you have to sum it up in two words, I also thought about this and then we came up with Consumer AI. So the AI technology helps to understand the consumer and, again, it's not only what they want to buy, the intention of the products but it's also broader, what the client is, what they want, when they want, how they want it. So, I think I would sum it up to Consumer AI.

Nigel van Putten: And who would be the most relevant competition in that space?

Jeroen van Glabbeek: Now, an example – we discussed this, for example, you have Salesforce and they have a product, Einstein. So, if you go to the Salesforce you buy their CRM system, you have to pay for it. And then they ask, 'Do you want to pay something extra to make it smarter?' And then you buy Einstein. And you don't only pay like $200 per seat per month but you have to add €50 extra. And then Einstein, part of Salesforce, comes up with the next best action. So – they help to – the people working with Salesforce, to the next best action. This, of course, can make sense. So, it can be an add-up of existing products.

That's also how we see it. If you look for it in our products model, market cloud or service cloud, we will come up with new products, where you can ask clients, 'Do you want to add our AI technology, do you want to pay a little bit more in each month to make it smarter?' That will be a bit of future. So Salesforce is one of the clients. Of course, there are more clients, more competitors in the data science software. Also you have like Adobe, Experience Cloud is another one. So in the data science software, there are specific competitors.

There also are – a little bit of the competition can also be data science consultants. And then you have the likes of Deloitte Digital, Accenture, they also provide more data science consultancy, McKinsey, Capgemini that kind of companies but that's more one-of-a-kind consultancy projects and we are more in the space of recurring model and SaaS software.

So I think Adobe, Salesforce and then some smaller competitors are the most likely competitors.

Nigel van Putten: Right. And then maybe taking a step back, I mean, it is analysing your shopping cart for previous purchases, etc. That's the key of the service, right?

Jeroen van Glabbeek: Yes, I think a lot of that

Nigel van Putten: So - Built on that?

Jeroen van Glabbeek: This can be that type of data. For example, Corendon, they have a lot of travellers. And they know exactly who they are, where they live, what they booked, what they like. And then they analyse all the data and then they come up, maybe today is a good day to send this type of email or message to this person about this specific product because the algorithm shows that this is highly likelihood that this will convert. So, they can make the conversations very personal at the right moment in the right context.

That – and then, of course, in order to do so, you have to analyse all the data of the clients and earlier things they bought.

Nigel van Putten: Yes. And how – I mean, previous acquisitions, you've said it strengthens our go-to-market, especially in countries where we maybe a little bit less known. How would you sell this product together with some other products in your suite to – could you elaborate a bit on that? How can you package this in terms of the CM offering? Or is this always going to be a separate product in your toolkit?

Jeroen van Glabbeek: What we want to do is, we want to include it in our products. But if one – if our clients want to use it, they have to pay for the usage of it. So, the annual recurring revenue of the license fees our clients already paid, they can be a bit increased, let's say, with 25%, 30%, 40% if they want to use AI technology. So – and then you get like the messages can be more advanced, the voice calls can be more advanced, especially the software gets smarter. And clients can choose, 'Okay, now I want to do everything myself,' or we can add this AI technology where it's more automatic.

For example, we discussed earlier about the Grand Prix in the Netherlands, Zandvoort. They use all our technology to make it successful. It was a big project. But also, a lot of people were involved on our side, but also the client side, to really make this really successful. Not all our clients have so many people available and also we don't have so many people available to make everything so successful.

So what we're looking for in our vision going forward is also to add AI technology to our products that is easier to use and that more decisions are made by the software. So, which segments you want to communicate and which moment you want to communicate, what is the best price point. There are a lot of questions to ask where computers can just make a great decision based on data.

And that decisions, improve, of course, our service to our clients but also adds more value and makes our clients more successful.

Nigel van Putten: Got it. Thanks for the answers.

Charles Brennan (Jefferies): Thanks for taking my questions. So I've got two actually. The first is just a more financial one. I seemed to have missed the actual transaction price. So have you disclosed how much you're paying for it?

And then secondly, how are you thinking about the decision to partner versus buy technology more broadly? And specifically, I'm conscious of the fact that you're moving into some very fast-growth markets, but these are markets that are attracting a lot of standalone innovation and investment elsewhere. What makes you confident that you can fund the R&D and innovation necessary to compete over the medium term? It's not just in AI, but it's in areas like payments. Is there any risks that you're spreading yourself too broad and too thin?

Jeroen van Glabbeek: Let's start with the first question, the acquisition price. We didn't disclose the acquisition price yet. And that's because we are concluding negotiations and we didn't want to share the price before we concluded it, but it is in line with what we have paid earlier for a similar acquisition or what the markets – what is a decent price for this in the market. So we are negotiating about a reasonable price but we don't disclose it at this moment yet because it might hurt the negotiations.

Then about the model. Yes, I recognise what you're saying. We have a growth platform. Our clients with CM.com, they come to us and they can do a lot. And they choose CM.com because of the broadness of the platform. Also, we won a lot of awards because of this reason. That's also why we are recognised by industry analysts also as an established leader of the market because we have such a broad portfolio.

And we see that this is also a successful strategy when we look at our clients. Most of our clients, being enterprises and brands all over the world, they also start working more remotely, working at home. And if you are a business user or a business manager in an enterprise and you're working

from home and you want to achieve your goals, if you don't have big teams in an office working but everyone is working remote and you are looking for a proven technology, which is easy to implement. And at CM.com, we spend a lot of time to make these products really easy to use, easy to start.

You don't need to be a developer. You don't need to hire developers. You can just go to CM.com, login, make an account, use it, you get our help and the help of our partners in order to be successful. So indeed, we have a broad vision of the products on the platform that we see that we are adding value and we see that clients choose us for this reason, especially now that so many people are working remotely.

And we see that there are other competitors in each of the markets we are. There are specific payments services, there are specific CPaaS players, there are specific SaaS companies, specific ticket providers. And sometimes potential clients need one solution for one specific problem and then, one specific solution can also help them. But we see more and more nowadays that clients are looking for a broader company.

And that's not a purely unique strategy. If you look at for example Microsoft what they did 20 years ago by adding Word, Excel, and PowerPoint in one package named Office, that was also the starting of their success. Bundling products in a package can really be a successful strategy going forward, especially when the markets become more mature. It's already proven that our type of services will make them successful, and we have not only thought about your next step as a client but also of the steps after that. And that's why people choose CM.

But indeed that is something else. That's only doing one of the different things, which is also a good business model. This is the business model we've chosen and up to now, we are quite successful. We are the fastest growing CPaaS player in the markets this year.

Charles Brennan: Perfect. Thank you.

Daan Arends (Kepler Cheuvreux): Hi. Thanks for taking my question. First one, maybe can you give some idea on why you chose to buy a Consumer AI company rather than develop an in-house solution?

And secondly, how should we look at pricing going forward, because if I look at the €15,000 per month, that's a far stretch from the pricing that's currently maybe for the consumer data platform on your side. So there's a large gap there.

Jeroen van Glabbeek: Good questions. And I remember that also the analyst from Jefferies has asked the same – a bit of the same, whether you want to grow by yourself, buy such a company, or partner is an also an option. So, of course, we are in an ecosystem where we partner with a lot of different players.

The same is also with Building Blocks. We have a few mutual clients where we were active for that client but also they did – they worked for the same client. And then we learnt together that together, we could add more value for the same client if we would be one company and could help the client just better if we could do it all under one roof.

So, sometimes, indeed, partnerships can be very successful and most of the times they are. But sometimes, it's better to acquire the whole company integrated, especially in this case where we really believe that the next step forward for CM.com is to integrate AI and consumer AI capabilities in almost all of our different products, different features.

We see so many opportunities that for us, it's easier to make this successful, if we own the company and the employees become our colleagues and the clients become our clients, so we can really make steps quicker.

And then this idea, of course, also competes with just hiring and building our sales staff. Of course, we thought about this as well, to hire, let's say, 40 data scientists ourselves and build our own products from scratch. But we thought the time-to-market then is longer and the risk is bigger, because with Building Blocks, we not only get the team of 40 data scientist, but also we get their experience with the clients.

We get a business model with the clients and we get also the technology behind it. The combination made it for us more attractive to buy Building Blocks and then maybe double it over the next years in terms of employees and client revenue than starting this from scratch. So it's like a jump start for us in AI.

That was the first question. Your second question is, what will our pricing strategy be going forwards. We've seen over the last years that our services are adding more and more value every day and it's also why clients are paying more and higher fees every time. And, indeed, this is a higher price product, but also if you look back at an acquisition we did last year at CX Company, the average deal size was also about like €100,000 a year at that time.

Our pricing strategy is really complex. We take a lot of things in account when we develop our pricing strategies. It's not only the product, the value added but it's also the country, it's the competition. And also, here we will look forward and see how can we evolve the price into a model that is easy to comprehend for our clients, but also look at a local price points. We are selling this type of software now in India and the Middle East, but also in Brazil and South Africa and in the US. And each region has its own competition and its own price points.

So also for Building Blocks, I can imagine that we will update the pricing strategy in order to generate the fast possible growth we can achieve. And sometimes that means you have to increase price but sometimes, strange enough, decreasing a price can also help us to accelerate the growth. We will think about it very carefully in the coming months as we roll this out.

Daan Arends: Okay. Thank you for your answers.

Jeroen van Glabbeek: Thank you.

Nigel van Putten (Kempen & Co): Just a follow-up question maybe to clarify exactly what you mean. For example, in the press release you've said, 'We've been working alongside Building Blocks on various joint customer accounts.' Now, just maybe – it's another question – alluded that you were working on the same account. Did you actually work together? And if so, could you provide us a very succinct example of how the two companies interacted in the past? And that would give me a better understanding of how you integrate that into the future.

Jeroen van Glabbeek: Yes. I will give you an example of one client. This client, they hired Building Blocks to make decisions about when to send communication to clients and what to include in those communications, for example, to send an email or a text message with a specific promotion.

And then the same client, they came to CM and said, okay, if we want to send this type of emails or this type of text message to these various consumers.' We didn't work alongside or together, but we both worked on the same accounts. They made decisions a bit, Building Blocks, based on AI what to do and then the same client used our platform to execute it, to send all the messages.

Because we are both in contact with the same people at the client. And the client asked us both, 'Can you work together more?' because when the minute that Building Blocks AI technology says, 'We have to communicate this to this client,' then CM.com's platform, then use to send this communication. So basically the client came to both to ask if we could work together better to help them in a more integrated way. That is a bit story behind this sentence.

Nigel van Putten: Okay. That clarifies. If I then summarise it in my own words, it's maybe to integrate steps which are sequential rather than – I mean, it's not something that – for example, in the press release it also says, 'It adds high value consumer AI functionalities to our entire product portfolio.' So my question would be, how can you insert AI into sending a text? But I guess maybe it's more the step before sending the SMS that you are linked to. Is that the correct way to summarise it?

Jeroen van Glabbeek: Yes, in order to be successful with sending messages you have to know what to send, to whom, where and when. And how. And AI can help here, at that phase, but also later on when you get replies in or you get payments in, but every step, actually clients – the consumer takes is a data point. And we store that data point in our customer data platform and we have a lot of data of a lot of clients in our customer data platform on behalf of our clients.

And if we can share this with the AI algorithms of Building Blocks, then this will come a lot of good new things and a lot of new successes for our clients which will add value to our clients as well.

Nigel van Putten: Yes. It's actually interesting. So, but like AI is a broad term, right? It's not like this company can do everything in AI. It seems like – I mean, I didn't see any allusion to – you didn't say in the press release that you could analyse database, etc.

Jeroen van Glabbeek: Yes. But that's what we are going to do. Our CDP, our customer data platform, has a lot of data about consumers of our clients. CDP, we were one of the first in the CPaaS world to add a CDP to the platform. It's now everybody is doing it nowadays, now we're one of the first to make it a really smart CDP. We have all this data of all our clients in the platform, but what to do with it and we came up with intelligent ideas of what's the best next step in relationship with consumers.

Adding this Consumer AI technology, also like standard add-on on the customer data platform, which we already have, I think that is a really big step forward in adding value to our enterprise systems.

Nigel van Putten: Just a last question, a follow-up on that. So is Building Blocks already doing that now for maybe other customers, an in-house data platform that some of their customers have?

Jeroen van Glabbeek: Yes, they have.

Nigel van Putten: I'm specific to payments analysis, for example.

Jeroen van Glabbeek: They always have to have data before they start to be successful that's why they do the pilots, to find out if the client has a lot of data and is the data enough accessible for their algorithms to be successful.

For example, their client, Basic-Fit. They used technology to reduce churn. And of course, in order to do that, they have to have access to the data points of all the consumers of Basic-Fit to see what they're doing and how often they turn over, for how long they are a client and then to come

up with the best advice to reduce churn. This is always the data platform involved before Building Blocks can be successful. And with CM, we have our own data platform as our CDP part of all marketing clouds, and we want to make an interactive offering to make that connected brain we call it, on top of the customer data platform.

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

Operator: Thank you. We have no further questions in the queue.

Anneke Hoijtink: We'd like to thank everybody for their time, questions and interest. And if you have any further questions, just let us know. Keep in touch. Thank you very much.

Jeroen van Glabbeek: Thank you.

[END OF TRANSCRIPT]

Forward Looking Statements

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